BUSINESS WEEK

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Sen. Douglas: A lonely intellectual shapes the issues for '56 (page 128)

A MCGRAW-HILL PUBLICATION

MAR. 26, 1955

DXEORD OHIO
PERIODICAL RECORD
PIRM ONIVERSITY



No chance for "bugs"!

Modern methods plus modern equipment! That's how the American farmer virtually eliminates the element of chance. He knows he can depend on his equipment to get the job done—on time! \$\frac{1}{200}\$ Farm equipment manufacturers know, too, that confidence like this results only from first-rate, on-the-job performance. That's why so many standardize on Bower Spher-O-Honed Bearings. Past experience has proved to them that the name Bower on a roller bearing stands for higher product quality and unequaled engineering advancements. For instance, the refinements shown at right are making Bower Bearings last longer and perform better—practically eliminating maintenance! \$\frac{1}{200}\$ Whatever your product, if it uses tapered, straight or journal roller bearings, specify Bower!

BOWER ROLLER BEARING COMPANY

DETROIT 14. MICHIGAN



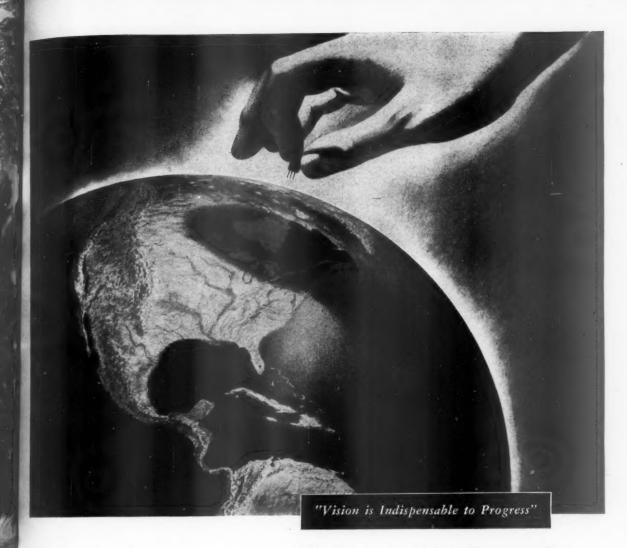
BOWER ROLLER



TWO-LIP RACE INCREASES RIGIDITY

Two parallel shoulders made integral with the outer race, as shown in red above, increase rigidity and durability—keep rollers in proper alignment. Precision-made rollers and races assure quieter, smoother operation.

ROLLER BEARINGS



How a speck of crystal is changing your life—your world

Advances so startling that only ten years ago they might have been subjects for science fiction are being chalked up by electronics—the fast-growing industry that harnesses electrons with vacuum tubes and their equivalents. More and more, as human impulses prove too slow to control the latest tools of science and industry, miniature tubes and semiconductor devices, such as 1/10 oz. transistors are taking over.

Today new radars keep tabs on storms and hurricanes, bring in ships and planes. Promised for the future is an electronic unit to lead the blind. Other devices now perform elaborate record-keeping tasks for business.

As the electronic microscope and betatron point to victory over dread diseases, another electronic instrument makes blood counts in seconds. Equipped with tiny transistors, midget radios run for years. New solar batteries take their power from the sun. TV programs recorded on magnetic tape, light amplifiers, electronic air conditioning and other appliances are in various stages of development.

Some of the most impressive work of electronics shows up in industrial

controls—"black boxes" packed with electronic magic—which direct rivers of steel, guide precision drilling, measure metal thickness and detect flaws.

Guided by self-reliant enterprise, the electronics industry has already found ways to lighten man's tasks and lengthen his leisure, to entertain, defend and heal him. Only in a free competitive system can progress take such giant strides, achieving so much good for so many to share.

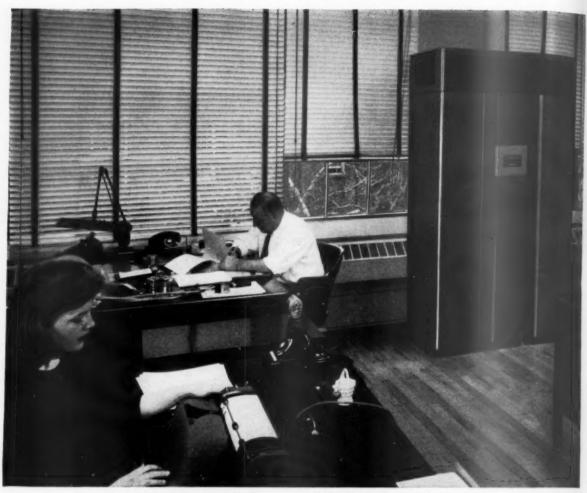
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16 WALL STREET, NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



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IT'S COOL WORKING for plant office personnel at The Okonite Company factory in Passaic, N.J. Good-looking, quiet-running Worthington air conditioners make sure of that — on even the hottest days. Wintertime? Okonite gets another benefit by using their Worthington units to deliver warm air.

Worthington air conditioners boost office efficiency at Okonite plant

No more sweltering work-days for factory office personnel at The Okonite Company.

This leading manufacturer of electrical wire and cable beats the heat with three Worthington packaged air conditioners, strategically located throughout office work areas.

Installed as part of a general plant modernization program, the Worthington units have paid off for Okonite. Fact is, these air conditioners are actually set up to do double duty as heating units during the winter. Man-

agement is convinced that improved working conditions through year-round office air conditioning result in higher efficiency, less absenteeism.

How's the climate in your office area? If you've got any doubts about it, call your nearest Worthington dealer. He's ready to answer any air conditioning need — whether it's packaged units for "spot" cooling or giant central station systems for entire buildings. Or write to Worthington Corporation, Air Conditioning and Refrigeration Division, Sect. A.5.40W, Harrison, N.J.

WORTHINGTON



CLIMATE ENGINEERS TO INDUSTRY, BUSINESS AND THE HOME

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STYROFOAM

offers you so many advantages in low-temperature insulation

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low "K" factor



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Permanently Low.
Avg. 0.25

Remains Dry and Assures Constant "K"
Factor

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INSULATION B

INSULATION C

Hoffman-LaRoche chooses STYROFOAM® for its workability and economy

Styrofoam's non-irritability and easy workability made installation quick and economical in a building recently constructed by this large pharmaceutical house. Several thousand feet of Styrofoam (Dow expanded polystyrene) were used for pipe covering, duct insulation, and insulation for constant-temperature rooms. Another important reason for Hoffman-LaRoche's choice of Styrofoam is its permanently low "K" factor.



THESE ARE JUST A FEW LEADING COMPANIES THAT HAVE CHOSEN STYROFOAM

The Best Foods, Inc.; The Goebel Brewing Co.; Southern Dairies, Inc.; General American Transportation Corporation; General Electric Company; Norge, Division of Borg-Warner Corporation; Kelvinator Division of American Motors Corporation; New York Central System; Swift and Company; Oscar Mayer and Company.

Dow will send you further information on Styrofoam, free, upon request. Please specify if you want general information on Styrofoam or detailed information on its use in low-temperature work, as a perimeter insulation, or pipe covering. Write Dow Plastics Sales Dept. PL-542B, THE DOW CHEMICAL COMPANY, Midland, Michigan, or contact your Styrofoam distributor: The Putnam Organization, Inc.,



Chicago, Ill. • Seward-Kauffman Corp., Elkhart, Ind. • Styro Products, Inc., Kansas City, Kansas • Atlantic Foam Products Co., Ipswich, Mass. • Par-Foam, Inc., Detroit, Michigan • Edwards Sales Corp., Minneapolis, Minn. • Floral Foam Products, Midland, Michigan • Styro Sales Co., New York City • William Summerhays Sons Corp., Inc., Rochester, N. Y. • G. & W. H. Corson, Inc., Plymouth Meeting, Penn. • The Emerson Co., Houston, Texas • Utah Lumber Co., Salt Lake City, Utah • S & Sales Corp., Milwaukee, Wis.

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| light weight | ease of handling | superior resistance to vermin and decay | low installation cost |
| Lightest Of All Rigid Insulations. Avg. Den- sity, 1.7 lbs. per cu. ft. | ?leasan?—Fabricates Easily with Common Tools. Doesn't Crumble | Has No Food Value | Lowest Cost, Too, Per Year of Service |
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RESEARCH DIVISION



CATHODE-RAY TUBE



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RECEIVER DIVISION



COMMUNICATION PRODUCTS



INSTRUMENT DIVISION



GOVERNMENT MANUFACTURING



INTERNATIONAL DIVISION

VISION POINTS THE WAY TO PROGRESS! Since prehistoric man daubed his first signs on rock walls, pictures have helped men to see, understand and act in accord. Through succeeding ages, progress has been marked not alone by the ideas of a few men, but by the means of communicating these ideas to the many.

Now, in our time, television has given America the fastest, most powerful means of mass understanding in the history of the world. For it has turned a magic spotlight on the pageant of our civilization!

Until a few years ago, only a handful of people in each community had any first-hand knowledge of our government. Now millions watch and judge our national leaders on television. Where thousands once attended a season of theatre...now many millions may enjoy a single performance of Shakespeare. Religion and philosophy...science and "how-to-do-it"...concerts, museums, ballet—all come alive with meaning in homes across the breadth of our land. Young and old see, hear and think...and their thinking will influence history!

Television is much more than mere entertainment. This great fountain of culture and knowledge is its true force.

A full understanding of this force for the good of mankind was the beginning, and continues to be the guiding impetus, of the Allen B. Du Mont Laboratories. It brought forth from a garage laboratory the first practical cathode-ray tube which made commercial television possible. And Du Mont vision provided a quick realization of the vast potential application of this tube in many remarkable new electronic wonders.

Today, developments of the several Du Mont Divisions...in television receiving and transmitting equipment, in closed-circuit TV, in electronic instruments, in radar and guided missiles, and in mobile communications...have opened new vistas of accomplishment for science, industry, medicine and defense.

Most significant of all is Du Mont Research, providing continuing vision and dedication to assure greater-than-ever electronic advances for the achievement of better products, better services, a better way of life than man has ever known.

VISION

IS THE DU MONT DIMENSION

First with the Finest in Television



ENGINEERS

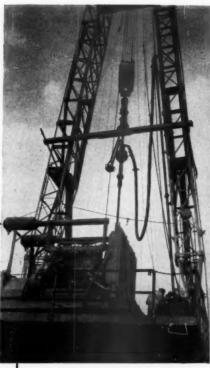
The Allen B. Du Mont Laboratories offer to engineers a working atmosphere of achievement in which they can successfully advance their careers. Our employment manager at 750 Bloomfield Avenue, Clifton, N. J., welcomes inquiries.

for oil field applications...

A POWER TAKE-OFF

that can TAKE IT





... thanks to BORG-WARNER Engineering

Power take-offs take a terrific beating in the oil fields. The shock loads of constant starting and stopping . . . and the punishing pounding of drilling and pumping rigs . . . could lead to frequent, timeconsuming adjustment or costly breakdown.

To minimize these risks, Borg-Warner's Rockford Clutch Division engineered a power take-off especially suited for oil field use. With its heavy duty gear-tooth drive clutch, unusual ease of adjustment, and husky construction throughout, this B-W Rockford power takeoff delivers remarkably trouble-free performance in drilling, pumping and pipe-line applications.

Available on 19 out of 24 makes of oil field engines, the Rockford power take-off exemplifies Borg-Warner's "design it better-make it better" tradition. It is another typical example of how Borg-Warner serves American industry, every day.

B-W ENGINEERING MAKES IT WORK B-W PRODUCTION MAKES IT AVAILABLE

Almostevery American benefits every day from the 185 products made by BORG-WARNER



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READERS REPORT

Banking—A New Era

Dear Sir:

Your article . . . on the Chase. Manhattan merger, The New No. 1 Bank in Greater New York [BW_ Feb.12'55,p116], was not only interesting but simple enough for the understanding of the non-technical, lay reader.

It would seem, from regular and careful reading of your publication. that this country, and indeed the world, is on the threshold of a new age: an age of gigantic potentialities, whether through the expansion of the use of atomic power for peaceful ends, or the raising of world standards of health, understanding, education and living which will involve tremendous costs.

The article indicates that such mergers and pooling of resources can facilitate these processes. This could be of vital importance as, through the lack of sufficient and immediate funds, an inopportune delay in following up some unexpected development in science or world affairs could well undo much good work already done.

I was interested, too, in the angle stressed that neither this nor other recent mergers would of necessity do away with competition among the banks, nor reduce the service to customers. This is true undoubtedly in the New York area, where there are a number of strong and highly capitalized banks.

I cannot but wonder, however, as to what would be the attitude of the government and of the people as a whole, if the East should take on the coloring of the West coast, where there is only one large, and dominant, bank.

I, as various of my associates, would be interested in more articles on these subjects, particularly if they could throw more light on the manner in which it is proposed to handle this heavier, world-wide financing of the future.

E. LOUISE GREENMAN

REALTOR FRESNO, CALIF.

Whither Weather?

Dear Sir:

Re your excellent article, A Long-Range Look: Does It Help Tomorrow's Forecast? [BW-Feb. 26'55,p150] . . . the correct spelling is Spitsbergen not Spitzbergen . . . It is a possession of Norway, hence PORT

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School's out . . . and so is the community

Out . . . a desperately needed junior high school. This unsprinklered, three-story brick-and-frame building was already overcrowded when a fire of undetermined origin destroyed it. Overnight the Board of Education was confronted with the problem of fitting 700 students into an overcrowded school system.

Out of pocket. It will cost \$2,700,000, officials estimated, to replace this school, insured for \$446,660.

Out of date. Progressive communities, aware of the many losses a city or town can suffer in such fires, consider the cost of a Grinnell Automatic Sprinkler System a small price to pay for around-the-clock fire protection. Grinnell Sprinklers stop fire at its source, wherever and whenever it strikes, night or day, with automatic certainty. 77 years experience proves this.

You have a stake in your city's school system, if not as a member of the Board of Education, then as a parent and taxpayer. Don't wait until disaster strikes in your community — show this advertisement to your school authorities. Ask for action. A Grinnell Sprinkler System often pays for itself in a few years through reductions in fire insurance premiums. So, if you have insurance, you're probably paying for Grinnell Fire Protection anyway . . . why not have it? Grinnell Company, Inc., 265 West Exchange Street, Providence, R. I. Branch Offices in Principal Cities.







Whether powering aircraft components — or many types of industrial, commercial and domestic products — Lamb Electric Motors have a record of outstanding performance and long life.

Our plant is equipped and organized to custom manufacture on a volume basis, and our costs are proportional to the quality level your product requires.

Teaming up your engineering department with ours will enable your company to profit from these advantages.

THE LAMB ELECTRIC COMPANY . KENT, OHIO

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Lamb Electric

SPECIAL APPLICATION MOTORS
FRACTIONAL HORSEPOWER MOTORS







Aircraft pressurizing pump motor.

Aircraft fuel tank valve actuator.

the "s." The Dutch explorers used the "z," but not now, so spell it spits. . . .

A U.S. businessman, Longyear, developed its coal mines in 1905.
... Its largest city is named after Longyear. The Soviets want it and have a colony there. Its temperature has increased 15 degrees during the last 50 years. Important to U.S. in Arctic Radar Defense Circle.

LLOYD M. HARMON LT. COMDR., U. S. N. CORONADO, CALIF.

Dear Sir:

. . . You have presented a controversial subject with proper conservatism. Without meaning to be critical, I'd like to make a few brief comments. . . .

It is hard to think of the climate ameliorating sufficiently for palm trees to grow in Boston Common without enough melting already having occurred to put the Common below sea level.

The northward march of the limits of the corn and wheat belts has been due as much, I think, to improved, cold resistant strains as to amelioration of the climate.

I don't know what data were used for the general statement that the amelioration of winter temperatures began earlier in the south than in the north. It was true, however, that until the decade 1868-77 hereabouts winter temperatures since 1850 had not risen much.

I wonder what records were used to show that there had been no amelioration in summer temperature. Here in Milton there was a rise of 3.6F from the decade 1851-60 to 1945-54.

The last great retreat of the glaciers seems to have been around 10,000 years ago rather than 20,000, according to the latest Carbon 14 dating.

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Although mountain building undoubtedly helped some ice ages get started, such uplifts did not occur before all ice ages: Therefore, this cannot be used as more than a secondary factor in explaining them.

CHARLES F. BROOKS

DIRECTOR
BLUE HILL METEOROLOGICAL
OBSERVATORY
HARVARD UNIVERSITY
MILTON, MASS.

 It is impossible, in a general story of this type, to qualify broad statements as precisely as a learned journal might. There just isn't the space.

Our primary sources of inform-

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J-M Class A Asbestos Walls are movable . . . save space and make space . . . are noncombustible, lower priced . . . come in pleasing colors

New Johns-Manville Class A Movable Walls offer you advantages never before combined in an asbestos movable wall. They are modestly priced. They are noncombustible. They have a textured, stipple finish in restful colors. They reduce maintenance and relocation costs to a new low.

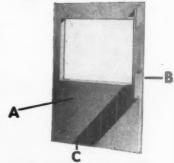
The finish of Class A Movable Walls is a tough, hard film many times thicker than on the usual movable partition. It is mar and scratch resistant . . . rejects stain and toil . . . can be easily washed and even scrubbed, if necessary. If damaged, it can be touched up inexpensively to look like new . . . and, unlike other types of factory-

finished partitions, can be repainted with ordinary paint.

Undivided responsibility for a complete job

These flush or glazed partitions are erected by the Johns-Manville Construction Department complete with doors, door hardware, glass and trim.

An estimate will convince you that the cost of J-M Movable Walls compares favorably with other types of wall construction. For details, write Johns-Manville, Department BW, Box 158, New York 16, N. Y. In Canada write 199 Bay Street, Toronto 1, Ontario.



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Noncombustible asbestoscement surfaces

3

Generous reinforcing for added strength



Noncombustible all-mineral insulating core



Johns-Manville

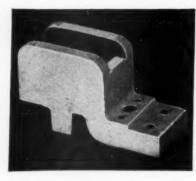
Cold Molded Plastics Are Still Best For Electrical and Insulation Applications





...and you can cut costs with

Aico Cold Molded Plastics



When your products call for parts with high arc resistance and proven stability at operating temperatures up to 1000° F... that's when Aico's cost-cutting cold molding process offers a money-saving opportunity. Cold Molding... the original plastics molding method offers high production from a low-cost, single-cavity mold. Aico pioneered the cold molding process in 1916... Aico continues to offer manufacturers the latest improvements in this proven, cost-cutting process.

These control knobs, valve handles, pigtail connectors, utensil handles and other parts represent but a few typical examples of the profitable application of Aico Cold Molded Plastics. Many such cold molded plastics are available from Aico Stock molds to further reduce costs. Aico engineers are at your service to help with your specific production problems.

AICO PRECISION MOLDED PLASTICS

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ation were Drs. Willet and Houghton of M. I. T., and the book, Chmate Through the Ages, by C. E. P. Brooks, McGraw-Hill, 1949. See particularly p. 376.

Why They're Blue

Dear Sir:

Small wonder that researchen find engineers to be "frustrated" and "bitter," [Theme Song of Engineers Is the Blues—BW—Feb.26 '55,p116].... [There is] one important reason for this state of affairs—row upon row of desks crowded into a large "bull pen,"... like those for a group of semiskilled clerical workers whose efforts required little concentration or creative thinking....

Office facilities provided for engineers in a large segment of industry fall far short of those provided for even the lowest echelon of management and sales—many of whose tasks require far less in the way of quiet and privacy.

This situation not only frustrates the engineer's professional ego, but cuts his efficiency, probably by 25 to 50%.

Companies beating the woods to hire additional engineers during the current shortage might well increase the output of their existing staff at less cost, and sharply reduce "frustration" by providing office facilities in keeping with the engineer's professional status and task.

PHILIP J. KLASS

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FOREST HILLS, N. Y.

Dear Sir

... Engineers, like everyone else, want recognition and "adequate" financial compensation.... The income differentials in our society have narrowed, and an engineer's income is nearer that of a skilled workman's than an administrator's....

How can engineers' income be increased? Not by artificially attempting to pay higher salaries—supply and demand would not permit this. It is necessary to make the engineer more valuable. The engineer's income is lower than it should be because industry makes poor use of his talents and training. Investment in engineering training is wasted by having engineers perform a large proportion of tasks which technicians could do as well.

If the number of tasks is increased where engineering judgment and ability to guide technicians is utilized, and the semi-skilled tasks decreased, the engineer will

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he worth more, his position will have more prestige, and furthermore our schools will not suffer the pressure of lowering their standards to satisfy the urgent manpower need for engineers. . . .

DEMETRIOS A. POLYCHRONE ASSOCIATE PROFESSOR SCHOOL OF ARCHITECTURE GEORGIA INSTITUTE OF TECHNOLOGY ATLANTA, GA.

"Not Economics"

Dear Sir:

I have just read your summary of Leon H. Keyserling's recommendations for continued expansion of consumer demand [A Case for the Democrats-BW-Mar. 5 55,p28]. Such recommendations should be carefully labeled propaganda, since they definitely are not economics. . . .

We must assume that Keyserling is interested in expanding the demand for the physical volume of goods, not just the demand in dollars. If so, his ideas have the following fatal weaknesses:

(1) What happens to the income of the million or more people who will be laid off if the minimum wage is raised to \$1.25 per hour? This might be several million people if the minimum wage carried over into service, transportation, and other non-manufacturing busi-

(2) Any increase in costs caused by an increase in wages must automatically be passed on in the form of higher prices to the consumer. Consequently, no net increase in real purchasing power

(3) A reduction in income tax payments by individuals without an nmediate corresponding increase in the volume of goods available will inflate prices to a corresponding degree unless accompanied by a corresponding drop in defense spending, which happened in 1954.

(4) If we must have inflation during periods of unparalleled business activity (Business Week Index over 139), when we can ever stand the slightest bit of deflation to reduce the national debt and also reduce consumer indebtedness? We cannot keep on running both the government and consumers further into debt forever.

Keyserling's propaganda has been wishfully dreamed up for political purposes. It is a lovely dream.

ROBERT S. MORRISON

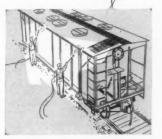
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BEAUTY FOR BEDROOM SUITES

Sherwin-Williams hot spray furniture finishing materials help produce lasting beauty for S. R. Hungerford Co., famous makers of solid mahogany furniture. Special formulations meet needs of production schedules as well as of the product.

ring industry everywhere!



SHERWIN-WILLIAMS

COATINGS FOR COVERED HOPPERS

New Carclad finish gives many times longer protection against chemicals...is one of hundreds of Sherwin-Williams Maintenance Finishes for specialized uses.

Fresh, new color styling for finest furniture ... tough new coatings for chemical-carrying railway cars! Both are part of the wide range of applications served by Sherwin-Williams Industrial Finishes-applications as broad as industry itself!

Whatever your finishing problemswhether for offices, plants or properties . . . for products of wood, metal or other materials you'll find complete answers to your complete needs from Sherwin-Williams sources. Simplify selecting . . . stocking . . . ordering! Check your Classified Telephone Directory or write The Sherwin-Williams Company, Executive Headquarters, Cleveland 1, Ohio.

Sherwin-Williams is where YOUR BUSINESS is

The broader your scope of operations, the more advantages the Sherwin-Williams organization offers yours. Over 1,000 branch offices, warehouses, and 17 factories make Sherwin-Williams an on-the-spot source of help where and when you need it.



SHERWIN-WILLIAMS PAINTS

for every industrial need

Why 4 year old skiers and 160 "Skips and Sweepers" add up to something that can help you buy insurance wisely

Wausau Story

Let Mr. Minard's story give you an idea. Cities have "personalities," which their businesses somehow absorb. We were born in Wausau—when this was lumber country. We've stayed here, because we feel that Wausau's ways and people have much to do with what our policyholders say—"Employers Mutuals are good people to do business with."

We write casualty and fire insurance. Our original field, and still our major line, is workmen's compensation.

Let an Employers Mutuals man tell you of our record for consistently high dividends...for promptness and fairness on claims...for an accident prevention program that can mean lower insurance costs to you...for service, direct from the Company, that can save you headaches.



Skips and Sweepers: Left to right: Ferd Lonsdorf, Mr. Minard, Merle Parker, and Oscar Omholt



D. C. Minard, President of The Trane Company, visits Wausau

Mr. Minard of Trane, well known manufacturer of air conditioning and heating equipment, of La Crosse, Wis., says: "You see Wausau clearly from its famous Rib Mountain. And I don't mean entirely because of the view. The skiing crowds you watch out there—from 4 year olds, like Tommy Nemke, on up—are a kind of symbol of the healthy, enthusiastic spirit of Wausau itself.

"Wausau's Curling Club, too, tells a story. Its attractive rink at County Fair Grounds is not tax-supported, but the sole triumph of its own 160 members who conceived it, planned it and paid for it themselves. Yes, the ice is open to Wausau's boys and girls free of charge.

"I visited Tom Eldredge's Camera Store and learned that Wausau is a picture-minded city, with more than its share of active camera clubs. Tom said, 'Wausau is a good city to do business in. One of the important shopping centers of Northern Wisconsin. I wouldn't be anywhere else.' I know how he feels."



Employers Mutuals of Wausau





FLUOROTHENE'S EXCEPTIONAL ...

BAKELITE Brand Fluorothene is an unusual plastic. It's so tough you can hardly dent it with a hammer blow. It has excellent dielectric properties at temperatures as high as 392° F., even under moist conditions. It defies corrosion; resists furning nitric acid, for example. It can be fabricated by conventional methods, with standard equipment. In toto—it's a plastic for jobs no other can do.

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Whether your job calls for fluoro-

thene or can be served by other plastics, it is easy to select the right one. At Bakelite Company you can choose from vinyls, phenolics, polyethylenes, styrenes, epoxies, as well as fluorothenes. Here you will find the greatest variety and largest resources for plastics keyed to your needs. The booklet, "Condensed Reference File of BAKELITE Plastics and Resins," will acquaint you with the entire family. Write Dept. GL-61 for a copy.

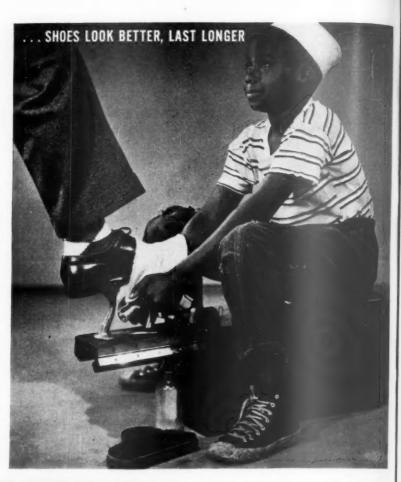


BAKELITE COMPANY, A Division of Union Carbide and Carbon Corporation III 30 East 42nd Street, N. Y. 17, N. Y.

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HOW HERCULES HELPS...

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A CAREER MORE THAN A JOB is the philosophy behind Hercules' personnel policies. To assist employees in their efforts to attain security for themselves and their families, Hercules' personnel program includes a liberal vacation plan, a disability benefit plan, accident and sickness insurance, a hospital-surgical plan, group life insurance, and other benefits. A comprehensive personnel program is only one of several good reasons why many turn to Hercules for positions with a future.

HERCULES POWDER COMPANY

968 Market St., Wilmington 99, Delaware. Sales Offices in Principal Cities

SYNTHETIC RESINS, CELLULOSE PRODUCTS, CHEMICAL COTTON, TERPENE CHEMICALS, ROSIN AND ROSIN DERIVATIVES, CHLORINATED PRODUCTS, EXPLOSIVES, AND OTHER CHEMICAL PROCESSING MATERIALS

TODAY'S PHONOGRAPH RECORDS are truly platic compositions. Hercules Vinsol® resin, a low cost thermoplastic, serves as a modifier for film forming resins, such as Hercules® ethyl cellulose, in many formulations. Either product may also be used, independently, in conjunction with other materials.





CHEMICAL MATERIALS FOR INDUSTRY



MATERIALS FOR INS

BUSINESS OUTLOOK

BUSINESS WEEK MAR. 26, 1955 Manufacturers, as a group, have been adding pretty substantially to their backlog of unfilled orders during the first quarter.

This is a welcome break after two solid years of erosion.

And the rise is likely to continue, at least for several months. As delivery time begins to lengthen, buyers get more anxious. And there is some ordering to beat price rises (notably in copper).

A BUSINESS WEEK

Factories felt the worst of the business runoff in the 18 months between January, 1953, and August, 1954. Unfilled orders dropped nearly \$29-billion—from a high above \$76-billion to \$47.3-billion.

After July, things leveled out; with the new year, a rise started.

Four factors (whose effects are overlapping) slashed at backlogs:

- Cancellation of military contracts. That was part of the drive to bring government spending within hailing distance of income.
- Reduction in demand for civilian goods. This was more a matter of paring swollen inventories than of any slump in consumer buying.
- Failure to cut output to incoming orders. You meet delivery dates even though you don't see any new orders to fill the holes.
 - Easier deliveries. Buyers found a hand-to-mouth policy the best.

The first three spent their force some months ago. And, gradually, the fourth is becoming less feasible—or desirable—in many lines.

Unfilled orders, by now, doubtless have climbed several billions in value from their lows last summer. This would put them above the \$50-billion mark once more.

Manufacturers of durable goods (which, in the nature of things, have most of the backlog) have more than four months' business on their books at the going rate of shipments.

New orders booked by all manufacturers took a turn for the better late last summer—but it didn't become convincing that soon.

The trouble was that the initial gains were due to higher military awards after the long drought (giving them the very distinct appearance of pump primers). New civilian business didn't begin to take hold until along toward the turn of the year.

By January of this year, new business was coming in at a rate that surpassed early 1952 and about matched 1953 levels.

Factories have been able to raise their production rates because, even though backlogs aren't what they once were, there's no harm in trying to keep up with the freshening tide of new bookings.

In fact, the value of manufacturers' shipments in December reached a new high for that month, and so did January's.

These monthly records won't be easy to maintain later in the year, however. It should be remembered that manufacturers' were shipping goods at a fabulous \$26-billion a month in 1953's second quarter.

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BUSINESS OUTLOOK (Continued)

BUSINESS WEEK MAR. 26, 1955 Our showing now rests heavily on softgoods; shipments of durables (autos notwithstanding) are still quite a bit below 1953 highs.

As far as autos are concerned, it isn't so much how many cars the industry will build as who will build them (and, if you're of a cynical turn of mind, who'll sell them).

In a few days, it will be a matter of record that the auto industry turned out better than 2.1-million cars in the first quarter.

And schedules call for 2.2-million in the second quarter.

Chevrolet will be the top producer in the first quarter beyond any doubt. Chevvy's total will be about 475,000 cars.

This will top by about 40,000 the number of Fords produced.

Unless retail sales of the two makes are out of all proportion to output, this will take most of the edge off the fruitless argument over which sold the most cars during the 1954 race.

For show-money in the auto sweepstake: It's probably Plymouth, regaining third place, in terms of cars produced in the first quarter.

But Buick was moving fast as the quarter drew to a close.

Auto dealers don't share manufacturers' anxiety about field stocks of new cars not being high enough—strike or no strike.

An official of the National Automobile Dealers Assn. warned this week that "the factories, in their scramble for volume, are going to overwhelm a great number of dealers before they are through."

Retailers never have done so much business at this time of year as they have in the last three months.

Even the big downtown stores, where pickings have been slimming in recent years, have found this to be true.

And Sears Roebuck says March will set a new high for the month.

Downtown stores find softgoods moving a little better than durables (with suburban discount specialists cutting in on appliance volume).

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But softgoods generally have meant well over 80% of total sales to the big stores. So with these moving well (aided by the early Easter, of course), downtown volume still is managing to break records.

Housing demand may continue to ignore the statisticians (at least, the gloomier ones) but here's another statistic for the pile:

Families living "doubled up" were the lowest (in relation to the total number of married couples) in 1954 since records have been kept. Only 3.9% of all families were not maintaining their own households, the Census Bureau reports.

For the postwar period, the previous low was 4.8% in 1945, the high 8.7% in 1947. The next lowest figure was 5.4% back in 1910.

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For information about availability and moderate charges for the light-up dial telephone and other new telephone conveniences now being made by Western Electric, simply call your Bell telephone business office.

Have you seen the new Bell telephone with a dial that lights up? It's perfect for bedrooms, sickrooms . . . or any dimly lit place. Just pick up the

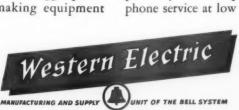
handset and the dial is instantly illuminated.

Providing special telephone conveniences for your home and office is one part of our job at Western Electric. But an even bigger part is devoted to making equipment

you are seldom aware of ... that operates "behind-the-scenes" faithfully, economically.

As the manutacturing unit of the Bell System, our job is to make telephone equipment which works that way.

By teaming up with Bell Laboratories people who design the equipment and Bell telephone people who operate it, we help provide you with dependable telephone service at low cost.





Your dial telephone actually puts you in command of a vast network of complicated equipment made by Western Electric. In a telephone central office, for instance, more than 1,000 switches must operate without failure to complete just a single dial call.



FIGURES OF THE WEEK

| 1947-49 = 100 150 | | 1 | 947-49=100 |
|------------------------|--------|---------|------------|
| 140 | | | 140 |
| 130 | | | 130 |
| 120 ~~~ | VV | | 120 |
| 110 | 1955 | | 110 |
| 100 1950 1951 1952 195 | 3 1954 | A S O K | 100 |

| 1930 1931 1932 1933 1934 | | | | | |
|--|---|---|---|--|---|
| | § Latest Week | Preceding Week | Month Ago | Year Ago | 1946 Averag |
| Business Week Index (above) | *140.0 | †139.5 | 139.0 | 121.2 | 91.6 |
| PRODUCTION | | | | | |
| Steel ingot production (thousands of tons). Production of automobiles and trucks. Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands). Electric power output (millions of kilowatt-hours). Crude oil and condensate production (daily av., thousands of bbls.). Bituminous coal production (daily average, thousands of tons). Paperboard production (tons). | 2,240 211,778 \$68,795 9,814 6,858 1,385 273,946 | †2,273 †204,285 \$59,103 9,726 6,845 1,297 269,618 | 2,191 196,644 \$47,168 9,912 6,767 1,448 262,282 | 1,624 154,895 \$39,693 8,572 6,461 1,184 245,325 | 62,886 \$17,083 4,238 4,75 1,74 |
| TRADE | | | | | |
| Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars) | 72 39 +11% 226 | 71 38 +15% 257 | 66 41 +1% 205 | 66 35 -8% 243 | +30% |
| PRICES | | | | | |
| Spot commodities, daily index (Moody's Dec. 31, 1931 = 100). Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100). Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100). Print cloth (spot and nearby, yd.). Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100). Scrap steel composite (Iron Age, ton). Copper (electrolytic, Connecticut Valley, E&MJ, lb.). Wheat (No. 2, hard and dark hard winter, Kansas City, bu.). Cotton, daily price (middling, ten designated markets, lb.). Wool tops (Boston, lb.). | 398.7 90.5 86.2 18.8¢ 144.7 \$37.50 33.000¢ \$2.46 33.66¢ \$2.05 | 395.3 90.7 85.8 18.7¢ 144.7 \$37.50 33.000¢ \$2.46 33.65¢ \$2.05 | 405.0 92.5 89.0 19.0¢ 144.7 \$37.00 33.000¢ \$2.48 34.14¢ \$2.10 | 431.6 83.7 100.8 20.2¢ 140.9 \$24.17 29.980¢ \$2.41 34.28¢ \$2.12 | ††73.2 ††75.4 |
| FINANCE | | | | | |
| 90 stocks, price index (Standard & Poor's) | 287.6 3.49% 18-13% | 284.2 3.49% 15-13% | 292.6 3.48% 18-13% | 211.9 3.48% 2% | 135.7 3.05% 3-1% |
| SANKING (Millions of dollars) | | | | | |
| Demand deposits adjusted, reporting member banks. Total loans and investments, reporting member banks. Commercial and agricultural loans, reporting member banks. | 57,861 84,918 | 56,769 84,242 | 56,598 84,673 | 80,064 | ††45,820 ††71,916 |

Commercial and agricultural loans, reporting member banks. 22,694 22,375 22,251 22,939 ††9,299 U. S. gov't guaranteed obligations held, reporting member banks. 34,374 34,177 35,057 32,848 ††49,879 Total federal reserve credit outstanding. 25,002 24,714 25,071 25,704 23,883

MONTHLY FIGURES OF THE WEEK

| New orders for machinery, except electrical (McGraw-Hill, | | | | |
|--|---------|---------|---------|-------|
| 1950 = 100) | 99 | 94 | 83 | N.A. |
| Cost of Living (U. S. Dept. of Labor BLS, 1947-49 = 100)February | 114.3 | 114.3 | 115.0 | 83.4 |
| Exports (in millions) | \$1,168 | \$1,312 | \$1,092 | \$812 |
| Imports (in millions) | \$870 | \$942 | \$833 | \$412 |

^{*} Preliminary, week ended March 19, 1955.

Preceding Month

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^{††} Estimate. N.A. Not available.

[§] Date for "Latest Week" on each series on request.

in BUSINESS this WEEK ...

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FULBRIGHT PAUSES FOR BREATH
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AND CLASS, TOO. Edison shoe chain aims at rich new target in Northeastern statesp. 50

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The Pictures — Russ Allen—166; Budd Co.—28; Harry Compton—cover, 128, 129; Farm Bureau Ins. Co.—122; Gen. Electric—62; Harris & Ewing—30 (bot. lt.), 31 (top. rt., bot. lt.); Link Belt Co.—72; Ed Nano—48, 49; Sovfoto—142; U.P.—30 (top. lt., ctr., rt., mid. rt., bot. rt.), 108, 125; W.W.—29, 30 (mid. ctr.), 31 (top. lt., bot. ctr., bot. rt.), 92, 58; Wyman-Gordon Co.—68.

REGIONS:

NEW JOBS FOR REFRIGERATION IN INDUSTRY...



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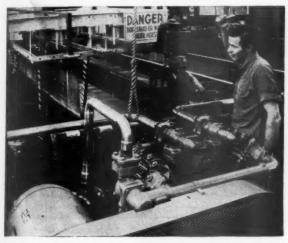
HOW CHILLING KEEPS GLUE WORKABLE

Fast-drying synthetic glues used in this tapeless veneer splicer would harden in their container within 30 seconds—but for the water-cooling unit charged with "Freon" refrigerants that keeps the glue at 50°F. The Red Lion Cabinet Company of Red Lion, Pennsylvania, figures labor and time savings at over \$100 weekly, but is even more pleased with the quality of radio and TV cabinets that results.



FROM PLANT TO HOME-CANDY NEEDS COLD

Refrigeration helps maintain quality from the time that fresh candy rolls out of the 57-foot cooling tunnel until the retail sale is made in one of Mrs. Snyder's air conditioned candy stores in Chicago. Carrier units charged with safe, odor-free Du Pont "Freon" refrigerants protect both the plant and the retail stores. Management is happy because the equipment requires nothing but routine maintenance.



COOLING MAKES ALUMINUM COMBAT-HARD

At Grumman Aircraft Corporation, Bethpage, New York, aluminum parts for Cougar Jets are anodized in baths of sulfuric acid solution. When the current goes on, the temperature tends to go up. But a compact refrigeration unit charged with a Du Pont "Freon" refrigerant keeps the bath between 25° and 50°—and the surface comes out harder than chrome plate.

*"Freon" is Du Pont's registered trade-mark for its fluorinated hydrocarbon refrigerants.



"Freon" Safe Refrigerants



BETTER THINGS FOR BETTER LIVING ... THROUGH CHEMISTRY



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You'll find thought-provoking information and suggestions in Du Pont's booklet "How Air Conditioning and Refrigeration Benefit Industry." This booklet may help you solve production problems, cut costs, improve product quality. Send this coupon for your free copy.

We'll also send information on Du Pont "FREON" fluorinated hydrocarbon refrigerants. "Freon" is nonflammable, nonexplosive, virtually nontoxic . . . its safety and dependability make it the most widely used refrigerant in service today. Put modern refrigeration—with "Freon" refrigerants—to work for you.

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| ADDRESS | | |
| CITY | STATE | |
| | 93 | |



Alvin I. Handmacher, President of Handmacher-Vogel, Inc., says

He knows how to suit the women!

"When a woman sees a style she wants, she wants it fast," says Mr. Handmacher. "In fact, she wants it first!

"And we see that she gets it — in her size and color. How do we do it? By Air Express!

"We push our production schedules to meet insistent buyers' re-orders. Then we rely on Air Express to deliver door to door in record time. "Without Air Express, we'd never suit women as well as we do!

"Air Express pays off in two ways. It wins us customer good will and saves us money! For instance, it costs \$4.10 for a ten-pound shipment from New York to Louisville-\$1.64 less than by the next lowest-priced air service."

It pays to express yourself clearly. Say Air Express!

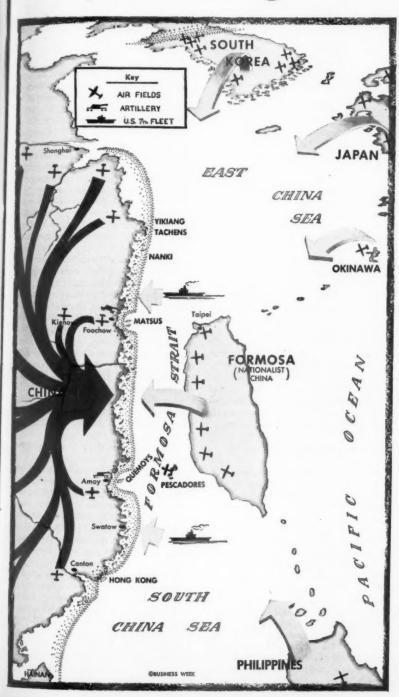




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Prospect: A Fight for a Truce



Fighting in the Formosa Strait this spring-with U.S. planes involved-now seems almost a certainty. It will be over the Matsu and Quemoy island groups, which the Chinese Nationalists still hold (map, left).

· It won't be a fight to the finish. Probably, though not certainly, the U.S. won't have to use atomic wea-

· Before events reach that stage, the chances are we will get a ceasefire under which the Communists acquire the coastal islands in return for a negotiated guarantee not to attack Formosa and the Pescadores.

· But it may take a new international conference to produce such a result. Pres. Eisenhower said this week that he is ready to explore the possibility of Big Four talks (page 139). • Paradox-Theres is no shorter way of summing up the outlook in Formosa Strait as it shapes up this week. It adds up to this paradoxical situation: We are preparing to use force to make the Chinese Reds accept a cease-firethe same sort of cease-fire they can now have for the asking. Our goal is still a standoff in Formosa Strait roughly parallel to the standoff we achieved along the 38th parallel in Korea. And it will take a lot of provocation on the part of Peking to force Pres. Eisenhower to change this objective in favor of an all-out showdown with Red China.

· Possibilities-The picture change, perhaps suddenly, in either of

two directions.

There might possibly be serious cease-fire negotiations before the U.S. itself gets involved in fighting. That's what Washington still wants. what London and New Delhi still are working for, though with diminishing hope. Negotiations at this stage, however, might possibly involve the U.S. in a complete revamping of our China policy-recognition of two Chinas and perhaps even the end of the trade embargo against Peking.

Or, assuming we do get involved in the fighting, the Communists might build up enough air and artillery strength to force us into using tactical A-weapons. There is undoubtedly a limit

to how long we would fight without making use of the superiority we have in this field. If this should happen, it is anybody's guess what would come next. But clearly we would have to be ready for all-out conflict with the Communist world.

I. Up to the Reds

The issue of war and peace in Formosa Strait-how much fighting, what kind of fighting, and what kind of settlement-really lies with the Com-munist rulers in Peking and Moscow. All the evidence indicates that they intend to take the Matsus, the Quemoys, and then Formosa-by force, and in that order. It looks as if at each stage they are quite prepared not only to take on the Nationalists but to chal-

lenge the U.S.

· Buildup-The Communist buildup on the South China coast is unmistakable. It includes four main elements: (1) manpower, which has been plentiful in the area ever since the Korean truce; (2) growing air strength, including some 400 jets that are now being concentrated, along with fuel supplies, on three airfields near the Matsus (3) enough sea power (mostly Soviet torpedo boats that are being shifted southward from the Tachen area to the Matsu area) to disrupt Nationalist supply ships; and (4) powerful batteries of Soviet-built heavy artillery that can now put the Matsus and Quemovs under concentrated fire.

It's the air buildup that has U. S. mili-

tary men most worried.

• Pattern-The Communist strategy seems to be following a familiar pattern -the one the Chinese Reds used successfully against Chiang on the mainland, and again recently to make his position on the Tachens untenable. It involves concentrating enough strength on one enemy position to take it, then moving on to the next. And pretty clearly the Communists have the power to take the Matsus, the Quemoys, and Fonnosa one after the other against any resistance the Nationalists alone can muster, regardless of what supplies we send them.

II. Formosa Is the Key

When it comes to Formosa, the Chinese Reds have had clear notice that the U. S. will resist any military challenge with whatever force is necessary. That's a firm U. S. position that all the world, at least all the non-Communist world, recognizes.

In the case of the Quemovs and the Matsus, though, our position is more flexible and is likely to stay that way until the last minute. Whatever value these islands may have had as potential stepping stones for a Nationalist return

to the mainland, they have value to the U. S. today only in relation to the defense of Formosa. Ever since Eisenhower flatly stated that we would not use Formosa for an attack on the mainland, this defense angle has been the key to our policy. Whether we fight for the coastal islands or negotiate for their transfer to Peking, our goal will be to make Formosa as secure a defensive position as possible.

For example, a cease-fire deal that turned the islands over to the Reds would undoubtedly be resisted by Chiang Kai-shek. But if we were convinced that our quid pro quo in such a deal-an assurance from Peking that it would not use force to get Formosawould make Chiang's position there more secure than it is today, there is not much doubt that we would accept it and get Chiang to go along.

· Criterion-If instead the Chinese Reds make a push for the islands, as they show every sign of doing, Washington would use the same criterion in deciding on what action to take.

It's possible, for example, that the U. S. won't intervene directly if the Reds attack the Matsus in the next few weeks. This would mean we had decided that for both military and political reasons our position would be stronger if we waited to meet the Reds at Ouemov.

On the other hand, an all-out attack on the Quemovs would produce a real showdown with the U.S. At this point, you could expect us to throw some powerful punches from the air.

If this didn't bring Peking to the point of negotiating, and there was no prospect of saving the Quemoys with conventional weapons, Eisenhower would face the decision that has been in the back of his mind ever since he sent the Formosa message to Congress two months ago-whether to use tactical atomic weapons on local military targets to bring Red China to its senses.

III. Hard Decision

Before the die is cast, there will be many a taut nerve in Washington and, no doubt, in Peking and Moscow. For the first time since the cold war started, the U. S. government is seriously considering the use of atomic weapons. Washington has long known it would face this decision if Western Europe were attacked. The whole NATO defense system was based in the beginning on the threat of U. S. atomic retaliation, and more recently there has been the additional threat of tactical A-weapons to back it up.

Since the Korean armistice, the defense of South Korea has been based on the threat of atomic retaliation. But there hasn't been an actual test of strength since the cold war startedneither Berlin, Korea, nor Indo-China. when atomic weapons were so directly involved in our defense calculations they are now.

· Good Reasons-There are at least two good reasons for this change:

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· Our defensive strength has been increasingly built around nuclear power -everything from the H-bomb to be tical A-weapons of about 3,000 tons of TNT-equivalent. (The Hiroshima A-bomb was about 20,000 tons.) This is the one real advantage our technical superiority still gives us over the Soviet-Chinese alliance.

· A point is bound to come-if Communist aggression continues-when it could be necessary, in situations such as Korea and Formosa, to use atomic weapons to back our policy of enforcing peaceful coexistence on the Communists (BW-Mar.12'55,p25). Many offcials in Washington-and not just those in the Pentagon-believe this point is about to be reached in the Formosa Strait.

. Last Resort-The decision, if it has to be made, will be in the hands of Eisenhower. And all the evidence suggests that in the present situation he will make it only as a last resort. That would be true even if he could be virtually certain that the use of tactical A-weap ons against Red China would not lead to World War III. The President must consider first of all the American people, and he knows they would be reluctant to have him take such a step.

Then there is our position in relation to the rest of the non-Communist world-especially our European allies and the neutral Asian nations. They would be unanimously opposed to have ing us use atomic weapons to stop Red China from taking the offshore islands.

The British-rightly or wrongly-make a sharp distinction between these islands and Formosa itself. The Churchill government is ready to back us in any move necessary to defend Formosa if it

· Balancing-Still, there is undoubtedly a limit to how far Eisenhower will go in meeting the wishes or the fears of our allies. He has shown his dedication to peace and disarmament again and again, most recently in the appointment of

Harold Stassen to a Cabinet position as a sort of "Secretary of Peace," and in his willingness to explore the possibility of top-level discussions with the Com-

munists.

But he refuses-just to satisfy opinion abroad-to be pushed into a conference that has no chance of success. Nor does he want to be pushed into making the U.S. appear merely to be seeking an easy way out of a difficult situation. And there's no doubt that if the showdown comes in Formosa Strait he will use whatever means are required to secure our position in Formosa.

Drawing New Lines on Mergers

Justice Dept. is preparing to fight out the question of what is legal and what isn't under the 1950 antimerger law.

As a result, industry will be getting some new guide lines for the legal size of the nation's big companies.

One of the big cases may be the proposed merger of Bethlehem Steel and Youngstown, if the government will consent to a quick trial.

The wave of company mergers that has been spreading across the country since Korea is large enough to look like the sweeping merger movement that took place in the 1920s. But there's one big difference—and it's a difference that will become more and more evident before the year is out.

It is that the federal government now has specific power to take the parties to a merger into court—both before the merger happens and after it has

Apparently both political parties are ready to use this power.

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The Republican Administration is preparing additional antimerger cases that will draw new guide lines on size for various industries.

The Democratic Congress is warming up to give mergers plenty of attention. Committees in both House and Senate have all the investigation funds they need. There'll be plenty of furor, but probably no new legislation.

Between them, the Administration and Congress are going to give mergers more investigation and prosecution than

has been seen in years.

 Priorities—Merger news is already getting high priority attention in Washington.

• The proposed merger of Bethlehem Steel Corp. and Youngstown Sheet & Tube Co. is back on the front burner—despite continuing opposition of the Justice Dept.—with observers willing to predict the two companies are about to challenge the government to a court test of the legality of the merger.

 The Federal Trade Commission investigation into the wave of post-Korean mergers is complete and a final report being drafted now probably will

be released within 30 days.

• The report of the Attorney General's National Committee to Study the Antitrust Laws—scheduled for submission late this month—takes a strong stand on enforcing the 1950 antimerger law (BW—Mar.5'55,p31).

· And another significant merger

may be in the making—between Sperry Corp. and Remington Rand, Inc. It would make a \$650-million company—\$200-million larger than International Business Machines Corp. The rumor goes that this will be a consolidation of the company, not strictly a merger, in that an entirely new company will emerge. The stock trade, it's said, would be on the basis of 3½ shares in the new company for one of Sperry, and two shares in the new company for one of Remington Rand.

I. Law: Tough But Untested

Underlying much of the interest and concern raised by recent mergers is the 1950 amendment to the Clayton Act—designed to prevent any merger that "may substantially lessen competition." By any standards, this is a tough law. But since it has not been tested in the courts, it is still considered a "new" law.

• Guideposts—Under the Sherman Act, it took years and years for the government to establish any kind of guideposts on size. Two of the most important markers were established in the Aluminum Co. of America and U.S.

Steel Corp. cases.

The Second Circuit Court of Appeals, speaking for the U.S. Supreme Court, ruled in 1945 that Alcoa's 1938 ownership of 90% of aluminum ingot capacity was illegal. At the same time the court said it was "doubtful" that Alcoa's 1944 ownership of 64% capacity was illegal.

In 1948, the Supreme Court O.K.'d the merger of U.S. Steel Corp. and Consolidated Steel Corp., which added Consolidated's 11% of the Pacific Coast market for fabricated steel to U.S.

Steel's 13%.

But even these guideposts left a broad area of doubt in which no one was sure what was legal and what was not.

The government actually could do little to prevent or break apart some important mergers because the law did not apply if one company bought the assets of another.

 Closed—The 1950 law plugged this loophole and gave the government the most powerful tool it ever had to deal with size and concentration in industry.

Now, using the new law, the government is drawing lines between legality and illegality. It is going after mergers that have national significance and mergers with only regional impact, as the law specifically provides.

The antitrusters charge that it is illegal for Schenley Industries, Inc.,—whose 22% of total liquor production puts it among the industry's big four—to add Park & Tilford Distillers Corp.'s 4% of the industry's total production

to its own.

Not only is competition eliminated between Schenley and P&T, says the government, but the merger of the two concentrates a bigger share of industry capacity, production, and sales in the

big four.

• Pillsbury's Push—In the flour mix industry, FTC charges that Pillsbury Mills—the nation's second biggest flour miller—went beyond the pale in buying out two important competitors, Duff's Baking Mix Div. of American Home Foods, Inc., and Ballard & Ballard Co. In the Southeast market area, Pillsbury allegedly nearly doubled its position in baking mixes as a result, raising its share of the market from 22% to almost 45%.

Subsequent to the FTC's charges, Pillsbury sold Duff to a newly formed New Jersey company, Duff Baking Mix Corp. (BW-Jan.2'54,p28). But the government went ahead with the case anyway, on the grounds that the sale did not dispose of the basic issue.

FTC also drew a line in the paper industry, charging Crown Zellerbach—second biggest paper and pulp maker in the country—violated the merger law in buying up another integrated West Coast company, St. Helens Pulp &

Paper Co.

Again using a regional market as the guide, FTC says Crown Zellerbach thereby eliminated one of its two competitors, which accounted for 20% of the paper product sales in the West Coast area. Crown Zellerbach made roughly 50% of the area sales prior to the merger.

II. The Line for Steel

In the steel industry, the Justice Dept's position is much like that taken in the Schenley liquor case. A Bethlehem-Youngstown merger, the Justice Dept. said last fall, would eliminate

important competition between the second and sixth ranking steelmakers. They say the effect nationally is to concentrate still more of the industry's capacity and sales in the top few companies, though addition of Youngstown's 4.4% of total steel ingot capacity to Bethlehem's 14.9% would still leave U.S. Steel alone at the top with about 30%.

The Bethlehem-Youngstown merger broke into the news again with publication of letters between Sen. Paul Douglas (D-Ill.) and Stanley N. Barnes, chief of the Antitrust Div. Douglas expressed concern that certain rumored stock holdings by Bethlehem in Cleveland-Cliffs Iron Co., which owns about 7% or 8% of Youngstown stock, might give Bethlehem a measure of control of Youngstown even without a merger. · Answer-Bethlehem said last week there is nothing in this. Its answer was that neither the company nor any of its subsidiaries owns any Cleveland-Cliffs stock, but that the trusteed Bethlehem Pension Fund owns 183,000 common and "some" preferred shares of Cleveland-Cliffs-along with stocks in various other companies.

Barnes says he will go to court to block any steps leading to a Bethlehem-Youngstown merger and will try to block Cleveland-Cliffs from voting on a merger proposal, whether Bethlehem owns any of its stock or not.

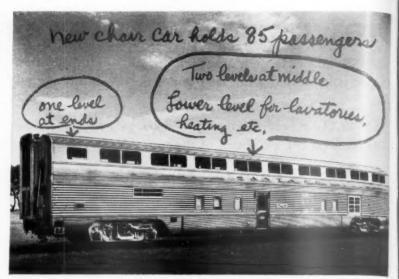
Further indication of action in the Bethlehem-Youngstown deal is a conference soon to be held between lawyers for the steel companies and top representatives of the Justice Dept. There have been continuing consultations between the two sides but this meeting looks to some people who know the industry like the first step toward a "friendly suit."

III. The Big Test?

Officials of the companies are anxious to get a test case ruling on their merger, but they want some kind of assurance from the government that they will get quick action in the courts. They do not want to be tied up in court for five or ten years.

The injunction that Barnes promises he will seek-to prevent shareholders from voting on a merger-would put the issue of legality under the 1950 law squarely up to the court.

But the Justice Dept. refuses to tie its hands before filing a suit. Rather than limiting the case to the narrow legal issue, the government wants to be free to bring in whatever it thinks necessary as background to put the merger in its "proper setting." And this could mean going back pretty far into the history of the steel industry and Bethlehem's past conduct. Such a test is not likely to be "quick."



TWO-LEVEL CARS like one above will roll on Atchison, Topeka, & Santa Fe tracks as ...

Designs

Two of the six major railroads that have been studying new passenger car designs for the past year placed orders for such equipment this week.

Atchison, Topeka & Santa Fe, after months of testing two sample cars, ordered 47 more from the Budd Co. of Philadelphia. Budd also received an order from the Pennsylvania RR for a train of seven, low-slung coaches and an integrated car to carry lighting, heating and air-conditioning equipment.

Three other roads that concluded a cooperative study of new coach designs last fall are reported about set to place orders.

They are the New York Central. Baltimore & Ohio, and New York, New Haven & Hartford. The sixth line involved, the Chesapeake & Ohio, apparently has no immediate plans to buy new passenger cars.

The new Santa Fe car differs little in outward appearance, except for its center doors and high windows, from conventional cars of recent vintage. Inside it has two levels. Vestibules, lavatories, and heating and air conditioning are on the lower level. Seats for 85 passengers are on the upper level. Dining cars have seats for 80 passengers above, kitchens on the lower level.

• Radical Design-The Pennsy train is of much more radical design. Tubular in shape, the cars will be slung low over the wheel trucks. Tubular steel construction aims at eliminating the heavy underframe of conventional cars. The low center of gravity is expected to make it possible for the new cars to travel at higher rates of speed on

Doors of conventional height-so that they can be entered from existing station platforms-are located at each end of the car.

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Steps lead down from the vestibules to the low center section. Each coach will seat 82 passengers. The cars will be 11 ft. 9 in. in height-2 ft. lower than conventional coaches. They will be of standard length-85 ft., but will weigh only 77,000 lb., about 40% less than present coaches.

Exact cost of the cars was not announced, but James M. Symes, Pennsy president, said the cost per seat would run about 25% under that of standard coaches.

The total order, he said, will run "somewhat over one million dollars" or about \$125,000 per car. new train, pulled by existing diesel and electric locomotives, will get its first tests between Pittsburgh and Atlantic Seaboard cities. Delivery of the cars is expected some time in early 1956, Symes said.

· More Capacity-New Santa Fe cars are designed for an entirely different

purpose.

Two feet higher than existing railroad cars, they have considerably more passenger capacity. Seven cars, including coaches, diner and lounge car, will carry 496 passengers on the El Capitan's run between Los Angeles and Chicago. This train now is made up of eight cars that have a total capacity of 350 passengers.

The upper deck seating arrangement also appealed to officials of the Santa Fe RR as a means of getting passengers away from wheel noise on long-

distance hauls.

Plate Glass: The Pinch Is On

Splurge in auto production and fast pace of construction, plus other complications, bring "terrific" demand and tight supply. Glass makers race to catch up.

That shiny new wraparound windshield on your 1955 car may be one of the reasons why you have to wait a couple of months or more for delivery of your order for plate glass.

The glass companies are shy about using the word "shortage," but the fact is that plate glass supply is pretty tight, and some glass makers are taking steps to insure an equitable distribution in what they call the "terrific glass market" that has developed in the last six months.

• Demand—You can put down part of the demand to the damage wrought by those destructive ladies of the 1954 hurricane season, Carol, Edna, and Hazel.

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But there are more fundamental reasons, too. The hectic pace of auto production (BW-Mar.12'55p28) would in itself create a bigger demand for glass. On top of that, the wraparound windshield is standard in 1955 styles; these take longer to make and mean a greater amount of scrappage. Over-all, there's more glass in this year's cars. General Motors' models have up to 33½ sq. ft. of glass, compared with 29 sq. ft. two years ago and 22 sq. ft.

Another industry that has been setting a fast pace is construction and housing (BW-Jan.22'55,p26). That takes a lot of plate glass—and window glass, too.

Libbey-Owens-Ford Glass Co., of Toledo (which makes all of GM's auto glass) describes the present situation as unusual. Never has there been a period in which demand for plate glass has been so heavy in all fields at once: (1) the furniture makers, with increasing use of mirrors and other types of glass; (2) the home builders and architects; (3) industrial designers; and (4) auto makers.

 Peak—Between them, Libbey-Owens-Ford and Pittsburgh Plate Glass Co.
 account for a large part of U.S. production of plate glass, and a good percentage of all window glass made here.

centage of all window glass made here.
Right now, L-O-F is operating at peak capacity—three shifts, 24 hours a day. It will not take on any new customers for its most popular types of plate glass. In addition, it is following what a company spokesman calls a policy of "soft allocation"—based on a customer's past record of purchases.

"So far as we know," says the spokesman, "no one has actually been hurt by the scarcity." There have also been stretch-outs on delivery dates, the company says, with customers for special types of glass having to wait a couple of months or more. (Elsewhere, in the industry, you hear talk of as long as 40 weeks for delivery.)

• How It Happened—The story of the present scarcity goes back to the general inventory liquidation of 1953-54. The glass people did some heavy chopping. Their inventories had been very high.

Then last fall, Carol, Edna, and Hazel wreaked their havoc on glass windows along the Atlantic seaboard. About the same time Detroit was picking up steam on a whole set of new 1955 models, and the construction industry was racing along in unexpectedly high geory.

Some plants were even shut down while inventories were being worked off.

It happened that Libbey-Owens-Ford had its conventional plate glass grinding and polishing work shut down for three months to make ready its new twin-grinding process (which does both sides of a piece of plate glass at once); The new plant didn't get going full-steam until mid-October.

The upshot of all these factors was that glass makers were caught with their production facilities down, and have been trying to catch up since.

• Imports—The jump in demand is sweet music to the glass men, but there is one worry along with it. As the demand for plate glass grows, foreign glass—especially from Belgium—is coming to the U.S. in increasing quantities, and underselling U.S. glass. That may not be serious while demand holds up. Glass men see the tight situation continuing until about July 1, with demand at a peak throughout the year. But the question is: After that, what?

Despite this worry, Libbey-Owens-Ford announced three months ago another \$25-million expansion of its plate glass facilities.

• Detroit View—As far as the auto industry is concerned, no one reports any importation of Belgian glass. Detroit regards the glass situation as a scarcity, not a shortage that would slow output.

There are other materials in tight supply in Detroit, too: cold-rolled steel, copper, nickel, white-wall tires (there's a run on them because black tires don't look good with the new car colors), and aluminum die casts. But no one admits to losing any cars because of material shortages.



Allen Whitfield

Iowa GOP Chieftain Picked for AEC

Chances are that the Atomic Energy Commission will soon have its full slate of five commissioners. It depends on Senate confirmation for Allen Whitfield (picture), 51-year-old Des Moines attorney and businessman, who was nominated Mar. 16 by Pres. Eisenhower for the vacant seat on the commission.

The seat has been empty since AEC Commissioner T. Keith Glennan resigned almost two and a half years ago.

Whitfield, a stocky, quiet, reserved man, has been a power in Iowa's Republican politics for years. Often approached to run for governor or U.S. scnator, he has preferred his role of kingmaker and his decisive place on the Republican state central committee.

The new AEC nomination comes on the heels of Senate confirmation for Commissioner John Von Neumann. The Von Neumann appointment, which Pres. Eisenhower made late last year, ran into two snags in the Senate.

First, the Senate refused to spend time considering the nomination during its "McCarthy session" last December. This year, when the appointment went to the Capitol again, the Joint Committee on Atomic Energy found that Von Neumann, an associate of physicist J. Robert Oppenheimer at the Princeton Institute for Advanced Study, had befriended a Canadian officer accused of espionage for Russia. Charges against the Canadian were dropped. But the entire case had to be reviewed by the committee in order to prevent what one committeeman called "a sensational smear of Von Neumann at some future date."



CHIEF OF STAFF Sherman Adams is the funnel for information to the President. Dedicated to Eisenhower, he sifts the problems the President must decide from those that others can handle. He bears the brunt of political demands. As Assistant to the President, he is head man of the whole White House staff.



LEG MAN in the House: Bryce N. Harlow went to the White House with his old Pentagon boss, Gen. Persons. He's a researcher and recently a speech writer. Now he's contact man with the House. This week, Kevin McCann, president on leave of Defiance College, became chief speech writer in place of veteran Harlow.



NEW ADVISER Harold E. Stassen is latest of the recent appointments that make the White House staff of advisers the biggest in history. With his old foreign aid job folding in June, he will now have Cabinet rank, handling ideas in disarmament policy for Eisenhower as a special assistant to the President.



ANCHOR MAN Gabriel S. Hauge was a member of the original team Eisenhower brought into the White House. He is the principal adviser on all questions of business, economics, tariffs, expansion policy, international finance. He briefs the President weekly, has grown steadily in influence and responsibility.



LEG MAN in the Senate: I. Jack Martin was called "Bob Taft's third arm" during more than a dozen years when he was the late Sen. Robert A. Taft's assistant. He went to the White House after Taft's death, now works the corridors of the Senate, is valuable to Eisenhower particularly in dealing with the Old Guard.



NEW SECURITY HEAD, Dillon Anderson, replaces Robert Cutler as special assistant for national security affairs. Anderson's job is to keep tabs on the National Security Council, the Joint Chiefs of Staff, civilian defense, and the like. A Texan, he's one of the bright young men that Eisenhower captured in 1952.

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PSYCHOLOGICAL warfare adviser Nelson A. Rockefeller proves the prestige of working on the White House staff. He left a post as Under Secretary in the Dept. of Health, Education & Welfare for his present job. He advises on such things as the moral effects of A-bomb attacks, the merits of giving butter to Russia.

The White

The men pictured on these pages are the key members of the largest and strongest White House staff that any President has ever built up. Though they have no direct operating authority, they are in one sense the very core of the executive branch of the government.

Pres. Eisenhower, with his background of military experience, has always favored the staff method of handling his work. As soon as he moved into the White House he began pulling together the group that advises him. His original team included such present staff veterans as Sherman Adams, Gabriel S. Hauge, and James C. Hagerty, the White House press secretary who briefs Eisenhower before each press conference and who is responsible



NEW COUNSEL, Gerald D. Morgan, switches from Congressional liaison to the post of special legal counsel to the President. Morgan spent years working for Congress on tax legislation and other problems. He was a prime architect for the Republicans in the work of drafting the Taft-Hartley Labor Law.

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NEW SECRETARY Bernard M. Shanley moves over from counsel to become the President's appointment secretary. He's the channeling point for seeing Eisenhower, advises the President on the who and what of the guest list. His influence depends on his proximity to the inner office, plus his past record.



NEW UTILITY MAN: Ex-Sen. Fred A. Seaton, as administrative assistant, works one day on military matters, the next legislative, the next international. For almost two years, he was Defense Dept. public affairs man, dealing with newsmen and politicians. He was also a "get tough with McCarthy" pioneer.



FOREIGN AID expert Joseph M. Dodge tried to retire when he resigned in 1954 as budget director. But Eisenhower called him back to advise on foreign economic policy. One result was the end of Stassen's FOA. His pressing project is a new Asian aid program—economic help to Vietnam and the Southeast Asia area.



PIONEER in his job is Maxwell M. Rabb. He's the first man to hold the post and title of Secretary to the Cabinet. He got his start as the Eisenhower staffer handling problems of social welfare, minorities, and the like. Now he organizes the agenda for Cabinet meetings, and follows up on decisions taken.



CONGRESS liaison is headed by Gen. Wilton B. (Jerry) Persons, Ret., Deputy Assistant to the President. He's a veteran in dealing with politicians, was formerly liaison man for the Pentagon, and Eisenhower's personal adviser before the 1952 campaign. Eisenhower says Persons is the man who "knows him best."

e House Team Gets a New Line-Up

for the Eisenhower innovation, televised press conferences.

From time to time Eisenhower has changed his staff or added to it as his problems grew and shifted.

In the past few weeks a series of new appointments and shifts in responsibilities (some shown in the top row of pictures) have given the staff a new line-up. In the process, they have enlarged it and given it more ground than ever to cover.

• Knowhow—The men pictured above exert their expert knowledge and influence on the global problems of war and peace, of domestic economics and politics.

Appointment of Harold E. Stassen last week as White House adviser on

disarmament policies is a classic example of how far the President is going to get the fullest information and opinion on which to make decisions.

The staffers are commissioned to work for the President. But their opinions and activities are felt also in the operational departments and agencies, and in the committee rooms and cloakrooms of Congress.

 Pay—Their pay is less than the salaries of some of the agency and department heads they deal with in behalf of the President.

Two receive \$20,000 a year, three get \$18,000, six are paid \$15,000. The lowest is probably around \$12,500.

• Experience-Their politics are as varied as their skills. Some grew up as

Democrats, others as conservative Republicans, or as liberal Republicans.

Their experience is professional, practical, and political. For some, the jobs they have are the biggest of their careers. To others—such as Nelson Rockefeller, staffer for psychological warfare, and Joseph M. Dodge, adviser on foreign aid—the pay is a comedown, and their domain far smaller then they have before enjoyed—in government as well as business.

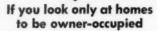
• Prestige—But they are near the oval room of Eisenhower's executive office, and they are in on the making of monumental decisions. That is their reward for working with more or less of a "passion for anonymity," and for the relatively low pay.

HOUSING:

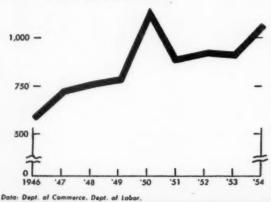
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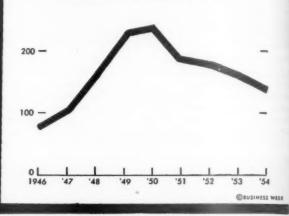
If you are interested in



One-Family Units in Thousands



houses built to be rented 300 Two-family and Up, in Thousands of Units



leat Is on the Landlords

The first real tide of postwar com-petition is running hard in the nation's rental markets. This means that (1) renters are finding apartments a little more easily, (2) rents are topping off after their steady postwar rise and (3) apartment building is sliding fast from its postwar peak (see charts).

All this reemphasizes the postwar housing rule that people generally are buying rather than renting.

That's what landlords across the country told BUSINESS WEEK reporters. Most of the landlords think the record rate of new home building is skimming off some of their best tenants, and now they're looking for new ways to add extras and give concessions.

· Wincing-"Every time they build 400 or 500 houses in a single pop, I wince. You just can't have that kind of thing going on all the time without it hurting your rental market," says one Louisville rental property manager.

With low down payment homes readily available in most areas, apartment vacancies have been on the rise since late 1953. There are exceptionsfor instance, in Chicago, Cleveland, and Nashville rentals are still tight and vacancy rates are holding around 1%.

At the other extreme, there are a few cities with 8% to 10% vacancy rates. But for the majority, although vacancies are up-often twice as high as in the early postwar years-they're still not uncomfortably high. And in the South, vacancies in housing for Negroes are practically nonexistent. Rents reflect the turn to ease. While decreases are rare, most rents are hold-

ing about level.

· More for Money-Over-all, renters find their monthly payments leveling off, and sometimes they're getting more for their money. More and more landlords are realizing that tenants gencrally are willing to pay higher rents if they get something worthwhile in return. One owner of 400 units in the San Francisco area came to this conclusion early. When rent controls came off, he went in for renovating in a big And for him it's paid offin a 1% vacancy rate and as much as a \$50-per-month premium in the top bracket apartments.

But there are plenty of other landlords who are afraid of pricing themselves out of the market. New homes and new apartments are putting an upper limit on rental charges and the landlords just can't afford extensive renovations.

• The Squeeze-So they're in a squeeze -because a big factor behind the movement to ownership housing is that renters find the apartments they can afford are inadequate. The largest single group of house buyers-just under 40%-bought for that reason, according to a survey last year by the Committee for Research on Consumer Attitudes.

Suburban apartment developments are feeling the hottest competition from the home-building spurt. One Washington (D. C.) garden-type apartment owner found that just under 50% of the families who leave move into their own homes.

· Solid Drop-With existing rental property caught up by these problems, it's not surprising to find new rental construction way down from its postwar high. Back in 1950, the best postwar year for rental building, about 250,000 units were started. Last year, the total was below 150,000, a 40% drop in five years.

Most builders would rather concentrate on single-family building. For one thing, the financing is much easier. FHA apartment funds have dried up. · Patience for Cash-Apartment construction now getting under way is financed chiefly with conventional

money. This often requires better locations, a break on the price paid for the land, and higher rents, but many builders are finding that conventional financing can be made to work. A large Memphis builder, who got financing without FHA, said "You can get it if the project has merit-and you have patience. We worked on this one only six or seven months.'

Not all builders agree with this. An Arkansas builder had this cracker barrel summary of the present day housing market: "A man is a fool to build rental housing now. Through FHA and VA, the bankers are becoming the landlords."



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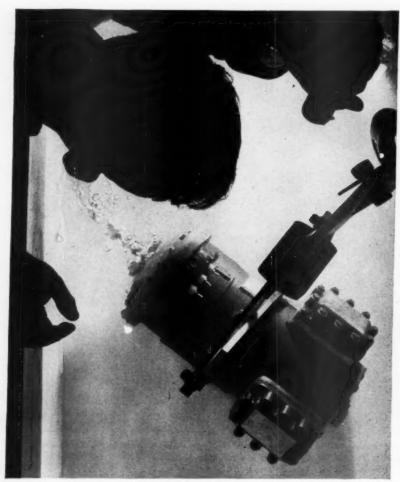
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BUSINESS BRIEFS

New York bank competition will be strengthened if proposed mergers go through, says Ray M. Gidney, Comptroller of the Currency. Gidney said this in a letter to Rep. Emanuel Celler (D., N. Y.), who had protested against the mergers.

It's official: Consolidated Edison Co. of N. Y. has formally asked the AEC for permission to build and operate an atomic power plant at Indian Point, on the Hudson (BW-Feb.12'55,p100). The application says Babcock & Wilcox Co. will design and build the reactor at the S55-million plant. B&W also has a contract to build a \$1-milfion reactor for the University of Michigan.

Canadian natural gas for general distribution in the U.S. has been approved by a Federal Power Commission examiner, Richard N. Ivins. The approval, first for a large-scale project, would permit Montana Power Co. to import 100-million cu. ft. per day of Canadian gas, to an annual maximum of 20-billion cu. ft., until May 14, 1974. The ruling, which rejects protests by coal and labor interests, is subject to approval by the full FPC.

Auto and truck dealers wail that their operating profits on sale of new vehicles are the worst in 15 years. The National Automobile Dealers Assn. says heavy fourth-quarter losses pushed by the comparison of 1.7% down to 0.6% for the whole year.

Business in January-February continued and improved the pickup started in fourth-quarter 1954, the Commerce Dept. says. The department was especially pleased by business plans for \$27-billion capital spending this year, and by predictions that dollar sales would be up 5%.

Texas oil allowable for April was set by the Railroad Commission at 3,275, 074 bbl. per day, down 59,738 bbl. from March. The figure was way below that sought by major crude buyers, and seemed more likely to please industry sectors that are worried by high gasoline stocks.

Sale of synthetic rubber plants to private operators became a certainty when both House and Senate refused to veto the disposal program sent to Congress by the government's three-man disposal commission (BW-Jan.29'55,p96). Transfer of the plants will take place in about a month.

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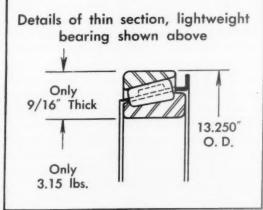
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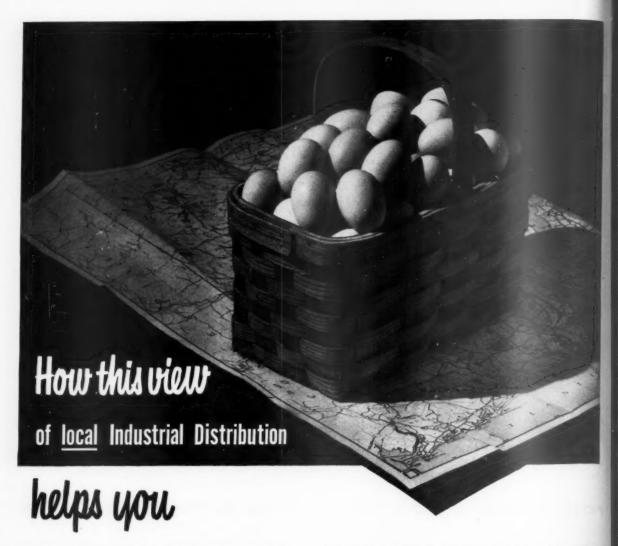
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WASHINGTON OUTLOOK

WASHINGTON BUREAU MAR. 26, 1955



Questions raised by the Formosa Strait danger inject new uncertainty into the economic and political outlook. Washington is frankly worried that Red China will move on Quemoy and Matsu (page 25) and thus break the uneasy peace that has followed the Korean and Southeast Asia deals.

U.S. involvement is likely. Commitments to Chiang on Quemoy and Matsu haven't been spelled out publicly. But Chiang's plan is to fight it out on these islands and this can draw the U.S. in.

Here's how Washington figures things today while admitting it has no solid information on how big a gamble the China Reds may take.

If there's war, it will be local. The U.S. gamble is that the Soviet, while supplying Red China's arms, would not be drawn into the fight.

U.S. involvement, if any, will be limited. The official talk is of committing only naval and air forces. Ground troops aren't mentioned. But—that was the start in Korea. Then, we went in on the ground.

Could this set off a big war—dreaded World War III? It depends on Russia. She makes China's arms. The official estimate is that Russia would not want the war to spread. She would use Formosa as another bleeding of the U.S.

Washington is set with war plans. They haven't been made with just Formosa in mind. They are based on any eventuality. And they run from strategic plans of the military to how you handle the economy. It's all stand-by. So, if what's looked on as a brush fire should suddenly blaze into something bigger, a long list of ready-made recommendations will be ready for Congress—draft plans, economic control plans, arms-building plans.

As for the politics, it all depends on what happens and how it happens. Both parties are uneasy.

Peace has been an Eisenhower asset. Korea was never in high favor with the public. (Drafting sons for training is different from drafting them to fight.) And it's hard to make a small war, far away, popular.

The Democrats would use Formosa. At the start, the two big parties would be shoulder-to-shoulder. But you remember how Korea became an issue and how big a burden it was for Stevenson in 1952.

Sen. George's maneuver for a Big Four meeting isn't to be taken lightly. It's true that the Georgia Democrat who heads the Senate Foreign Affairs Committee is an astute politician. His timing pushed Yalta into the background. That could have been one of the senator's purposes—to ease heat on the Democrats.

The Administration isn't ignoring it. It's a fact that the President is anxious to convince European allies of his peace aims, which are now questioned by some in view of our tough Formosa stand. George's proposal may open the way for preliminary talks with Russia before fall.

Democrats are worried on their farm bill. They were all set this week to force the mandatory 90% of parity supports to the House floor for action. Now there's a delay. The bill won't come up until after the Easter recess. Fact is, the Democrats aren't sure they have the votes. Farmer pressure for this bill is very low. There's no revolt against flexible supports.

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU MAR. 26, 1955 Efforts to trade with labor are being made. The political deal is this: If Democrats can get city votes for high farm price supports, they will vote to up the minimum wage, not just from the present 75ϕ to the 90ϕ Eisenhower supports, but to \$1. Of course, any such deal would not include expansion of wage and hour coverage to exempt industries, heavy on the farm side.

There'll be industry opposition to any minimum wage rise. There isn't much real thought that a successful fight can be made against upping the rate from 75ϕ to 90ϕ . But some groups feel that if they support the 90ϕ rate, this would encourage Congress to boost it to \$1.

Eisenhower's road program won't be voted—the plan to spend \$100-billion on highways over the next 10 years, with Washington putting up about 25%. The big hitch is on the financing. Eisenhower wants to treat federal funds as capital outlays, amortized over a period of years. The result would be that money spent in any one year wouldn't show fully in the government deficit.

But road spending will rise. Under existing law, the federal outlay for highways is \$675-million, on a matching basis with the various states. In fiscal 1956, it jumps to \$875-million. This Congress probably will vote to push it above that level, but not to the point Eisenhower wants.

Aid to schools will be increased. But sentiment in Congress leans much more to a money-matching program with the states than to the overall plans for school building expansions advocated by the President. It will be midyear before the issue is settled.

Postal workers are winning their pay-hike fight. The final increase to be voted will exceed the 7.5% limit set by Eisenhower. And odds are that if the President uses his veto, Congress will override. The postal workers have a tough lobby—one that congressmen say controls votes.

Any postal rate increase will be small. In fact, there's a good chance that Congress, its eyes on the 1956 elections, will let this slide.

The Democrats will try again on taxes. They've given up on cutting individual income taxes at this time. They won a close vote in the House, then lost in the Senate on the bill continuing corporate income and excise rates for another year. Their second chance will come on the Administration's so-called loophole bill. The Administration wants this to stop unexpected tax losses under two sections of the 1954 law. But Democrats will also try to repeal the 1954 provision granting some relief from the double tax on dividends. The odds are that this, too, will fail, leaving taxes as an issue for 1956.

No major stock market legislation is in sight, as a result of the hearings held by the Senate Fulbright committee (page 154). When the committee suspended this week, it had no evidence of irregularities.

But the committee will hold a club over the market. Note that hearings have only been suspended. They will be revived if the market makes any spectacular moves, whether up or down.



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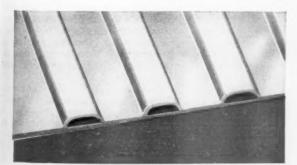
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- "You can get discounts now, but the construction equipment market is tightening"-Atlanta contractor.
- "Increases have been coming on since Jan. 15"—St. Louis machinery distributor.
- "With business as good as it is today, we aren't cutting prices"—Detroit toolmaker.
- "Concessions are usually on delivery," stallation, or extra features"-Cleveland manufacturer.
- "Now and then you find a distribute who will dicker a bit. But he's the exception and getting rarer"-Minneapolis furnitum maker.

Capital Goods: Prices Point Up

The big "white sale" in heavy electrical equipment a few weeks ago left a wake of apprehension (BW-Feb.19 '55,p50). Scattered reports that the price war hadn't entirely died down set a lot of businessmen to wondering whether the price cutting would be confined to the electrical equipment business, or whether it would spread to capital goods generally.

By this week, it is clear that it was limited to the public utility business. There is no white sale in other capital goods. In fact, there are signs that the price structure generally speaking is stronger now than it was a few months

This is the gist of a nationwide survey just made by BUSINESS WEEK. Many of the businessmen surveyed said they saw what they called "normal" competition-which means driving a hard bargain here and there and haggling over terms-but no evidences of widespread price cutting. Said a Midwestern industrialist, summing up the day-byday view of his fellows across the coun-

"I keep hearing and reading that there is a chance to do better on prices, but I can't give a single example from my own experience."

Here are some typical observations

about the pricing of capital goods: Hartford, Conn.: "Large buyers of capital goods in this area report fairly stable prices in the last six months."

Buffalo: "Prices are not more flexible and in most cases published prices prevail."

Minneapolis: "No evidence of any softening of capital goods or of any instance where such prices are any more subject to dickering than they have

been traditionally."

San Francisco: "The story on capital equipment prices is that they are firm to rising."

• Prices on the March-The rising note runs through a considerable segment of

industry. A notable characteristic of the economy during the business slideoff of the past year was the stability of prices in most areas. Now, buoyed by a returning confidence along the entire business front (BW-Mar.19'55, p25), prices may be rising in a number

Cincinnati notes that "price flexibility works both ways" and that at least two machine toolmakers in the area are reported to be raising their prices. Detroit says that capital goods prices are "edging upward." St. Louis reports that "a number of firms here have already received notices of price ranges from 3% to 10%."

· Seller's Market-To some degree, this picture reflects changes that have already taken place further back along the line. Industrial prices, according to the Bureau of Labor Statistics index, have been slowly rising since November. Copper and aluminum have registered increases in price. And users are now paying the full list price to a steel industry that is once more nearing capacity, whereas a few months ago there were plenty of deals.

"It's a seller's market now in steel," says a Houston purchasing agent who spends over \$100-million of his company's money a year. "If you buy sheet from Blank Steel Co., they'll say, "Well, fine; we happen to have some of what you want right near you along the ship channel.' But when the bill comes in, there'll be added to the price a 4% storage charge that will pretty much compensate for the freight the buver would formerly have absorbed."

• Deliveries Lag-Conversion deals in steel are even becoming common

A purchasing agent for a big farm implement company says that the level of business activity is such now that delivery is slowing up:

"We have to wait as much as 16 months for some of the machines that are being built to our specifications With the big auto retooling job and now the farm machinery firms retooling heavily, there seems to be a backle of machine tool orders.'

• Volume Up-There are indications that the volume of business in some fields-the ones that supply the maken of heavy electrical equipment-has turned up sharply thanks to the business that the bargain sale churned up a few weeks ago.

Anticipation is also a factor that is bulling a lot of markets. A New England manufacturer thinks "this Asian thing" is responsible for some of the price increases. Others mention the prospect of increased labor and my materials costs. (An auto industry man looks for the steel industry "to give labor another 8¢ or 10¢ this year.") A Southerner rubs his hands over the possible flood of construction equipment orders stemming from the Administration's public roads program.

• A Factor-Automation is also a factor of growing significance on the economic scene. A St. Louis machinery distributor says:

'All the stories on automation have awakened the interest of almost every manufacturer. Everyone is figuring on automatic processes and wondering what the costs will be. As a result, we are flooded with requests for bids on special equipment. One big company is so loaded with these requests that we are waiting on answers now more than three months."

He admits ruefully that "so far we haven't got any business from all this." But that isn't the story elsewhere. A Michigan toolmaker notes "a decline in the demand for standard machine took and an increase in the demand for special tools, which are adaptable to automated production."

· Effects-This trend has had a decided and complicating effect on the whole pricing structure of this indusDON'T LEAVE YOUR PROFIT
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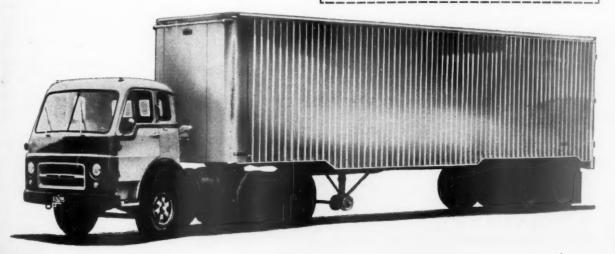
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try. As the Michigan manufacture observes, "Price levels cannot be precisely measured or compared because of the very nature of the specials and because they are generally purchased on competitive bid." A Rocheste (N. Y.) buyer of equipment notes that listed prices are often "meaningles because of the extras that go on mechines."

This, of course, is a constant problem with the pricing of capital good. Because so many of them are ordered on a specification basis, it is always difficult to compare prices from one year to another and with one machine against another. It is generally agreed however, that whatever price shaving goes on in major producer's goods is going on in the area of the extras, when there is room for maneuvering.

But so far as the prices of standard lines of equipment go, businessmen agree that most manufacturers are holding the price line.

• Exceptions—There are, of course, a number of areas in which price cutting is still the order of the day. But mostly this happens in the case of (1) smaller tools and equipment, (2) where there are a lot of small shops eager for the business, and (3) where jobbes handle the line. Here is a scattering of items in which there is evidence of price cutting:

Pumps and milk storage tanks (San Francisco reports that prices are being "shaded up to 10%"); steel valves (Southwesterners think "prices will snap back soon"); textile machinery (Southerners attribute the price cutting to small shops hungry for business); pneumatic hammers (a Minneapolis buyer says "now and then you find a bargain"); dairy and brewing equipment (an upstate New Yorker says "you have to shade prices"); fork lifts and cranes (a Minnesotan reports he got "\$100 off on a recent purchase").

• Spots—Businessmen worry about other weak spots here and there. Foreign competition comes in for some hard words. But on the whole, you can find few cases where whole industries or trades are cutting prices for any reason.

The manufacturer who most nearly sums up the general state of business is the Cincinnati man who says:

"I think there is a small amount of price cutting or special-dealing going on. And it will probably increase. It's much the same type of deal you see in the auto business. You know, the salesman may say, 'We can do a little for you here and there on this.' The price list is firm enough. And it's a matter of throwing in some extras. There's no slide in the market yet and I don't consider it a strongly competitive market."

sider it a strongly competitive market."
His phrase for it: "Negotiated selling."

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That's the aim of a new service group for operators of small struggling stations. Big GE has a stake in it.

Ultra high frequency (UHF) television is still in trouble (BW-Feb.19 '55,p52). According to the latest trade figures, 131 UHF stations have given up the ghost, 39 of them even before they got on the air. However, Congress and the Federal Communications Commission have been trying for months to diagnose UHF's ills, and now General Electric Co. is getting into the rescue

General Electric Co. announced last week that it has joined forces with Hollywood TV film interests in a plan to help UHF stations that are flounder-

Vice-Pres. Walter R. G. Baker made no bones about the fact that, as an equipment manufacturer, GE has "a distinct interest" in saving UHF stations from bankruptcy.

An informed source in the trade estimates that GE has about \$3-million tied up in UHF-TV equipment yet to be paid for. Either the equipment is gathering dust in warehouses while station operators figure out how to pay for it, or it is already in the hands of stations that aren't making enough money to meet their installment payments. Repossessing all this equipment wouldn't help General Electric to recover its investment.

· New Package-GE and the Hollywood groups have formed a new company called National Affiliated Television Stations, Inc. To independent UHF-and a few VHF-station operators who are up against the financial ropes, the new NATS will offer:

Management advice. Joseph Justman and Berman Swarttz of Motion Picture Center Studios, Hollywood TV film producers (owned by Desi Arnaz and Lucille Ball), will act for NATS in advising stations on selection of films, on when and how to telecast them. They will also advise generally on station operations and the sale of air time, will provide sales forces if necessary.

A film library. Another element of NATS will be National Telefilm Associates, distributors of TV films. Ely Landau and Oliver Unger represent NTA in the joint operation of the new package deal. NTA has a library of 210 films-Westerns, features, and miscellaneous shorts. It will offer its library to UHF operators on time-payment

Direct financial aid. In cases where a station is really hanging on the ropes,



THE WORLD'S FINEST SELF-ALIGNING COUPLING

When you realize that all the horsepower goes through the coupling, you will realize that the most expensive coupling is the least expensive.

AJAX Dihedral Couplings handle angular and offset misalignment heretofore considered impossible.

The secret of the performance of AJAX Dihedral Couplings begins with AJAX dihedral tooth design. It permits holding tooth clearance to lubrication film requirements. Load is distributed at center of teeth, the point of greatest strength. All teeth are case hardened to combine hard wear surface with tough core.

AJAX Advantages Affect Every Department of Your Business

AJAX Dihedral Couplings give new economies in design, manufacturing and assembly. Be sure to look into the advantages of this vital connecting link between driving and driven machines.

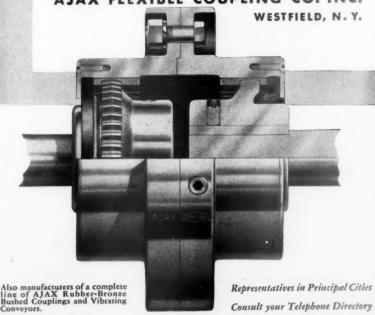
Hundreds Proven in 5 Years On-the-Job Field Tests

AJAX Dihedral Couplings have been through every test of time and service on rolling mills, paper mills, dredges, earth moving machinery and other heavy duty installations.

Phone the AJAX representative or write the AJAX fac-

tory for case histories, and you will spark-plug some worthwhile thinking.

AJAX FLEXIBLE COUPLING CO. INC.





Caterpillar uses Day-Brite lighting



Gets Comfort and Economy

Two reasons prompted Caterpillar Tractor to install Day-Brite Mobilex® fixtures for their new Engine Division Offices at Peoria, Illinois:

(1) **COMFORT**... As the photograph convincingly shows, the Day-Brite grid Mobilex provides comfortable, highly effective "see-ability" on desks, drafting boards and other detail areas.

(2) ECONOMY... The Day-Brite Mobilex fixture is one of the least expensive of all lighting fixtures to install and maintain.

Day-Brite Mobilex is supplied in 2-ft. square and 2-ft. x 4-ft. modular units, with molded plastic, glass and louvered shielding panels.

SEE, EXAMINE and COMPARE the Mobilex with any recessed lighting fixture. You'll quickly see the big difference in favor of Mobilex.

MATION'S LARGEST MANUFACTURER OF

COMMERCIAL AND INDUSTRIAL LIGHTING EQUIPMENT

Call your Day-Brite representative

5443

DAY-BRITE
Lighting Textures

Day-Brite Lighting, Inc., 5474 Bulwer Avenue, St. Louis 7, Missouri. GE itself is prepared to step in with loans to start the operator on a me habilitation plan.

• Filling a Need—NATS was born let January after Justman had brought General Electric and National Telefilm Associates into meetings. Both companies had been studying the problems of the UHF field—GE seeking to keep in equipment market alive and NTA looking for a wider and healthier outlet for its TV film library.

Action was spurred by the reports of FCC's special investigators, Robert F. Jones and Harry M. Plotkin (BW-Feb. 19'55,p52), warning that UHF-TV was in grave danger of stagnating like frequency-modulation radio. Like FM, the higher-frequency television had been heralded as a technical advance that would revolutionize the industry but has been, in practice, an economic failure, according to Jones and Plotkin.

The trade regards over-ambition as one reason for the collapse of so many UHF operations. The stations try to put on too many expensive live shows, don't rely enough on the cheaper filmed shows. That's where NATS and its backers come in.

 Small Risk—No one stands to lose much on the NATS deal, even if it doesn't fulfill its promise.

General Electric is willing to gamble on a few loans, in view of the size of its investment. The other two partners—Motion Picture Center Studios and National Telefilm Associates—will be paid only a percentage of the new profits that stations can generate through their efforts.

• New Network?—The NATS service will be offered to station operators regardless of whether or not they join the new organization. There was some talk at GE's recent press conference in New York about the possibility that NATS would become a sort of TV film network. Backers say this talk is a bit premature.

Film people in television have long plugged for such a network, contending that it is the live shows that sink some independent station operators. But some of the NATS backers don't think it's necessary to get into direct competition with the big existing networks.

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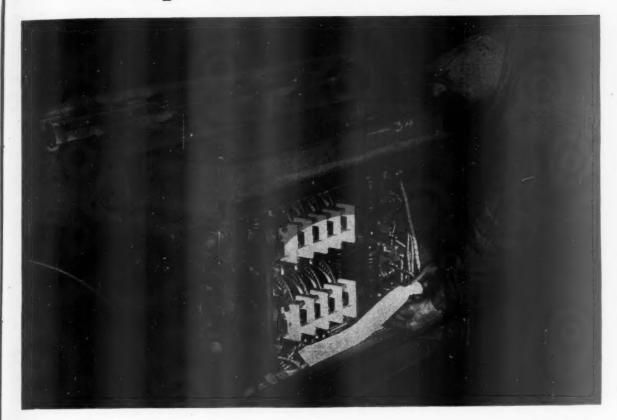
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Their arrangement, they say, won't arouse opposition from the big nets, since it will serve only the hard-pressed stations, mostly in UHF, that the big outfits don't want as affiliates any-

Besides, in soliciting business for the stations they are helping, the NATS representatives will be working on local advertising prospects whose budgets wouldn't permit them in any case to buy time on the big network programs.

Stop moisture on the spot



...with Alcoa Activated Alumina H-151

Workman installs Dri-Pak drying unit in electrical compartment of a mining shuttle car. Manufactured by National Mine Service Company, 564 Alcoa Building, Pittsburgh 19, Pa., units use ALCOA Activated Alumina H-151 to effectively reduce moisture and corrosive effects of dampness.

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local lgets e to proMoisture in complicated electrical equipment and sensitive control panels can cause serious damage and expense. Such was the experience in the Vinton Coal & Coke Company mines, Vintondale, Pa.—until they tried drying on the spot with ALCOA Activated® Alumina H-151. Handy Dri-Pak units containing ALCOA Activated Alumina H-151 were placed in several newly rebuilt electrical compartments where moisture

had caused serious corrosion and frequent trouble.

After installation of the Dri-Paks, the protected compartments gave no further trouble from moisture, but unprotected panels continued to corrode and cause shutdowns.

The original Dri-Paks used at the Vinton mines were in service for 16 months before being reactivated. Good reason why Dri-Paks are now used in all electrical compartments, control panels and telephones throughout the mines.

For long life and high adsorptive capacity, there's no desiccant like ALCOA Activated Alumina H-151. It's an entirely new drying agent, unlike any other in composition or performance. It is an unusually strong, stable desiccant capable of being reactivated an unlimited number of times.



ALUMINUM COMPANY OF AMERICA

Aluminum Company of America, Chemicals Division
700-C Alcoa Building
Pittsburgh 19, Pennsylvania
Please send me a free copy of your H-151 booklet.
I am interested in drying
Name
Company
Address
City
Zone
State



WRITE FOR THIS FREE BOOKLET TODAY. It outlines the outstanding properties and savings now possible with this new type of Activated Alumina. Don't let moisture put you on the spot.



Morgan Engineering Co. knew lot of the cranes it had sold over the years were obsolete or needed new parts. To prove it—and make a sale-the big problem was...

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A couple of years ago, Morgan Engineering Co., of Alliance, Ohio, san that sales of parts and service orden would be the company's bread and butter—for the immediate future, at least. New equipment business would be the ice cream.

Morgan Engineering's predicament wasn't one of a kind. While big industry was rushing to build new plants after World War II, builders of heavy equipment had a field day. But as expansion programs neared completion, equipment manufacturers began to realize that they would soon be facing a replacement market only. And since some heavy equipment may last 25 to 40 years, the prospect wasn't rosy.

• Remedy—To stimulate this replace-

Remedy—To stimulate this replacement business, Morgan—an 87-year-old company that makes overhead crans and other equipment mostly for the coal and steel industries—came up with an idea that the company hopes will



THREE-MAN TEAM (in hard hats) has feet to convince customer's maintenance man that

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Morgan's technique is to send technical experts into plants where its equipment has been used over a period of years to survey that equipment (pichures).

Morgan officials, headed by William Morgan, figured the survey would (1) hurry up parts orders from the customer; (2) give Morgan salesmen the opportunity of a lifetime to promote a new crane to replace a worn-out or obsolete job; and (3) give its sales department sound information on which to base its forecasts.

• Cranes Only—Morgan decided to limit its survey to overhead cranes. It knew that out of the approximate 6,900 overhead cranes it has sold—Morgan is the first in the field both historically and in sales for this type of plant equipment—many had been in service 35 to 40 years. The company figured that

because the cranes are high overhead, they don't get the preventive maintenance that "ground" machines get. Morgan also knew that many customers rely entirely on their own facilities to produce needed parts.

The company guessed that possibly 100 of its customers could be induced to permit a team of experts to go into the plants to check the Morgan cranes.

• Ticklish–Morgan officials realized that their approach to a customer was the key to the program. The ticklish part was to convince the plant's maintenance boss that the team would be looking at Morgan equipment only with an eye for normal wear and obsolescence, and that abuse of equipment would not be peached on.

• The Job—The team inspects about four cranes per day. Every bolt is examined, every part of the trolley and bridge is cased.

During the examination, the team

checks an inspection sheet. At the end of the day, the team gives a duplicate of the findings to the plant maintenance man.

At this point, the boss looks it over and notes the items he will have attended to by his own force. The Morgan engineer omits the items the company will take care of on his final report on that crane.

When the team has inspected all Morgan cranes in the plant, it returns home and prepares a detailed report on each crane. A copy goes to the plant maintenance boss who worked with the team, and to key plant personnel. Then comes the report to the customer on the condition of his equipment.

This report may recommend anything from minor repairs to replacement of the crane.

To date, Morgan has surveyed 220 cranes, and already has received some substantial orders.



has feel about inspecting cranes.



INSPECTION SHEET lists team's findings. But report isn't submitted to Morgan's office until company's crew indicates how much of repair work it can handle itself.



... because this structural floor system has

unlimited electrical availability built right in!

There's no way you can predict how many electrical outlets you may need—or where you'll want them—ten, twenty or fifty years from now. But, you can prepare for this by planning your next building around Fenestra* Electrifloor†.

With this modern electrified floor system you can have electrical, phone or intercommunication outlets in any or every square foot of floor space from the day you move in . . . for the life of the building.

You can move desks, install new electrical equipment, move partitions, completely change office layouts without the time, trouble and cost of tearing up floors and walls to provide electrical services.

And, because Electrifloor is a structural cellular steel subfloor and electrical distribution system all in one, it actually saves money and time. Its unique design combines such light weight with such great strength, that both structural steel and foundation costs are slashed.

And construction is speeded, because as soon as a few Electrifloor panels are laid and interlocked, they immediately serve as a flat, smooth working platform and material storage space on each floor.

To utilize all the advantages of Electrifloor, your building must be designed around it. So, get all the facts before you start your plans. Write: Detroit Steel Products Company, Dept. BW-3, 3425 Griffin Street, Detroit 11, Michigan.

*Trademark



ELECTRIFLOOR

TODAY'S FLOOR WITH A FUTURE... UNLIMITED



NEPCO header ducts connected to FENESTRA cellular steel floor panels make it possible to use all the cells, any time, as wiring raceways. Exclusive 4" handholes and large area cells provide easy access and avoid crowding wires.



OFFICE BUILDING for The Norfolk Division Office of THE TEXAS COMPANY uses Fenestra-Nepco Electrifloor to protect against electrical obsolescence. Architect: E. Bradford Tazewell. Contractor: Doyle and Russell.



CENTRAL OFFICE BUILD-ING, Department of Employment, Sacramento, California, is another modern office building using Electrifloor. Specified by Division of Architecture, State of California. Contractor: George A. Fuller.

And Class, Too

Edison Bros.' chain shoe stores get customers with popular prices, style, and plush layouts.

Edison Bros. Stores, Inc., has the merchandising formula of "calcarry, and class" to build itself into the largest women's specialty shoe chain in the country. Now it's ready to put the formula to work in the Northeast—with the rich New York and New Jersey are as its prime new target.

Last week, realtor William Zeckerdorf announced that Edison will live New York City for the first time with a plush, two-story Fifth Ave. shop scheduled to be the largest shoe story exclusively for women in the U.S. In addition to opening a store in New York's Westchester Cross Country shopping center last August, Edison has leases for nine other outlets in the New York-New Jersey market, two of them in Allied Department Stores' new Paramus (N. J.) shopping center.

Edison Bros.' four separate chains all

Edison Bros.' four separate chains all specialize in fashion shoes at popular prices—Chandler's, \$10-\$18; Baker's and Leed's, \$7; Burt's, \$3-\$6. Since the five Edison brothers opened their first store in Atlanta back in 1922, they have almost blanketed the nation with 255 stores in 139 cities in 38 states and the District of Columbia. Business runs to \$80-million a year.

• A Shoestring—The Edisons—Harry, Sam, Simon, Mark (who died four years ago), and Irving—built their business from the proverbial shoestring with some unorthodox firsts in the industry.

The five brothers were running three separate stores in competition with each other in Atlanta in the early 1920s. Individually, they noticed an interesting marketing phenomenon: Well-to-do women were slipping into their side street stores to buy high-fashion shoes at much lower prices than they could get in the more expensive shops. So the Edisons decided to experiment with a single operation located in the toniest part of town, featuring only high-style shoes at popular prices.

They did another thing nobody in fashion shoe retailing had thought of-charging their customers on a cash basis, no credit and no deliveries.

Another first was the price tag the Edisons displayed prominently beside each pair of shoes in their window.

The Edisons weren't very sure of themselves in the beginning. In fact, they didn't even want to use their own family name on the store—they leafed through a telephone book and picked the name "Chandler" at random. (This

WHERE IS THE WORLD'S BUSIEST TWO-WAY STREET?

When people talk about this street, they talk about "reciprocal trade" in the same breath.

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This street runs right through your home town, keeps going clear around the world. You ride it every day.

Every time you look at your watch, you get into your car, you use the phone or go shopping or pay a bill, you travel the world's busiest two-way street.

If you have a doubt, consider this:

The United States does a big business with its friendly neighbors everywhere in the world. A business that runs into billions every year.

In return, the United States buys the things its friendly neighbors make.

A good example of this two-way street trade has been America's trade with the watchmakers of Switzerland.

In the past nine years, America purchased about \$1,000,000,000 worth of goods from Switzerland—gaining a profitable trade balance of \$500,000,000 for its businessmen, farmers and workers.

Almost 50% of America's purchases was in our watches and watch movements.

In return, the Swiss bought more than \$1,500,000,000 worth of American-made products in the same period. Paid cash for them, too. And were it not for the purchases America made in Switzerland, the Swiss people couldn't have bought many of the things you make. Electrical appliances, movies, airplanes. Furs, fuels, lubricants. Machinery, medicines, chemicals. Name it, and the Swiss probably bought it from the U.S.A.

For food and farm products alone, Switzerland spends about \$68,000,000 a year in America.

So no matter how you earn your living—office work, farm work, teach, own a business, or take care of your home and family—you travel the two-way street of international trade.

Recently, this street has been narrowed, instead of widened. Tariff has gone up 50% on jeweled-lever Swiss watches and movements, and other serious restrictions on trade with the watchmakers of Switzerland are pending.

This means fewer watches will be sold in the U.S.A., fewer American exports to Switzerland.

But it's not too late to mend the potholes that are slowing down commerce on this economic highway. It's not too late to resurface the road that has helped keep prosperity high in both countries.

Goods and good will between friendly nations cannot go very far on a oneway street.

The past has shown it takes two-way trade to insure the security of our people, the expansion of our economies.

Published by

THE WATCHMAKERS OF SWITZERLAND

during the 104th anniversary of The Treaty of Friendship and Commerce pledged between the people of America and the people of Switzerland



SYLFLEX tanned LEATHER

keeps water out! Even after miles of walking in the rain, water is not pumped through Sylflex tanned upper shoe leather.

let's leather breathe! Air still passes freely through the pores in Sylflex tanned leather. Now, for the first time, it is possible to build shoes that are really weather-proof and still light and comfortable to wear.

dries out faster! Sylflex reduces water absorption by as much as 70%; protects leather against deterioration.

stays soft and flexible! Sylflex tanned leather repels the water and salts that make conventional leather stiffen, shrink and curl.

SYLFLEX tanned LEATHER makes SHOES

more comfortable to wear keeps them new looking longer

LOOK FOR THIS MARK

It's your assurance that the upper leather has been Sylflex tanned and wet-flex-step tested by approved tanneries to meet Dow Corning's high performance standards.





first in silicones DOW CORNING CORPORATION MIDLAND, MICHIGAN DOW CORNING CORPORATION, Dept. 2203A, Midland, Michigan

Please send me: More information on Sylflex

New 1955 Reference Guide to Dow Corning

Silicone Products

ATLANTA . CHICAGO . CLEVELAND . DALLAS . DETROIT . LOS ANGELES . NEW YORK . WASHINGTON, D. C. IN CANADA: DOW CORNING SILICONES LTD., TORONTO . IN ENGINES MIDLAND SILICONES LTD., LONDON . IN FRANCE: ST. COBAIN, PARIS is how they later came up with the names Baker, Burt, and Leed for their other chain stores.)

• Expansion-The Edisons did so well in Atlanta they decided-again rather hesitantly-to lease an empty store in New Orleans a few years later, on the advise of a shoe salesman. By 1929, they had 17 stores, and moved head quarters to St. Louis, the center of the shoe industry. From there on the Edisons moved fast, sticking to their basic marketing formula. First it was the South. Then, after St. Louis, they spread into the Midwest and the West Coast. And now they are invading the Northeast.

The Edisons added a line of accessories-handbags, hosiery, belts, and the like-which has grown to the point where it now accounts for about a quarter of its total annual sales volume.

This year they plan 10 new stores altogether, with 40 leases on tap across the country (and one in Honolulu) waiting for development. They place their stores both in the heart of downtown and in suburban centers, often opening right next to big-name quality stores. In fact, the Edisons have a habit of putting Chandler, Baker, Leed, and Burt stores close together, offering their customers a price variety in one small

· Plush Layouts-Regardless of which of the four chain names the typical Edison stores carries, it has certain characteristics. According to the Edisons' standards, the store must be modern and plush, with glass fronts, thick carpets, good furniture. Older stores often are remodeled to keep up

appearances. The Edisons differ from a lot of shoe retailers in that they have no manufacturing-merchandising tie-in with the big shoe makers. They buy only from independents-about 40% of their 14-million pairs per year from manufacturers who supply their total output to Edison; about 60% on the open market. Edison sells the shoes under its

own trade names-French Room, Quali-Craft, Stylepride.

· Specialists-One cloud looms on the Edisons' sky-blue horizon: women's fashions are changeable. Most shoe retailers carry plain, standard types of shoes to hedge their bet on the highstyle models. And they rely on a higher mark-up on the fashion models. Edison carries only fashion styles, and sells them at a relatively low mark-up. But the brothers aren't worried. They say: "It's like the practice of medicinewe're specialists in one big and important part of the shoe industry."

Yet even they are amazed to "watch famous-name women with mink coats and Cadillacs come into our stores and walk out with their bundles of shoes

under their arms."

DANGER NO SMOKING because of explosion hazards... it'll pay you to look into ACI aKE mercury relays

Adlake relays require no maintenance whatever
...are quiet and chatterless...free from explosion hazard.

Dust, dirt, moisture and temperature changes
can't affect their operation. Mercury-to-mercury
contact gives ideal snap action, with no burning,
pitting or sticking. Time delay characteristics
are fixed and non-adjustable.





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The Adams & Westlake Company
Established 1857 • ELKHART, INDIANA • New York • Chicago

Medic Hurts Lucy

Dow's TV show helps NBC pull audiences from CBS . . . GMC markets new lines of trucks to clear inventory, boost sales . . . Oil dealers sue Shell for "initiating" price wars . . . Hudson wins more dealers with new cars, profitsharing . . . GE admits discount house has its place.

How badly has Dow Chemical's "Medic" TV show hurt Philip Morris'

"I Love Lucy"?

Lucy, the famous family comedy on Columbia Broadcasting System, has dropped from top spot on most national TV audience rating polls for the first time in its four-year history. Still high on the weekly rating lists, Lucy has bounced between second and 10th on the Nielsen poll-some weeks even falling out of the top 10-since National Broadcasting Co. began its redhot competitive programing battle with

CBS last fall.

NBC thinks Medic has played a big part in its drive to win audiences from CBS' Lucy on Monday nights. The Dow show, depicting case histories and treatment of disease, alternates opposite Lucy with NBC's new musical spectaculars. The latest of the musicals-Peter Pan-was seen by nearly half the nation a couple of weeks ago. Medic, too, has been doing well-though NBC admits its ratings place it "nowhere near" the top 10. Nielsen usually finds it somewhere among the first 20 or 25. NBC sees Medic as a key component in the network's package power play: The strategy of running several of its best shows consecutively through the important evening hours so as both to win viewers from CBS and to hold them throughout the evening.

Dow is almost ecstatic over Medic's success. Pres. Leland I. Doan said last week that in addition to introducing the Dow name to millions of consumers for the first time, the show has boosted sales of Dow's new Saran

plastic wrap by 40%.

· Change in Strategy-Philip Morris, on the other hand, has dropped its sponsorship of Lucy. Denying trade talk that they are dissatisfied with the show or its producers, P-M advertising people say the company is simply changing its marketing strategy. From now on, P-M will switch its ad emphasis to printed media-which it feels will give it more flexible coverage at lower cost. (P-M's sales never reflected Lucy's success, even when the show was at the top.) In order to plug its three brand names-Philip Morris, Parliament, and the new Marlboro-P-M next month is starting the biggest Sunday newspaper supplement ad campaign in its 22-year history.

Lucy is still loved by CBS and other sponsors, however. Procter & Gamble Co., which has been alternating sponsorship with P-M since January, will carry the show on jointly with General Foods Corp. when P-M drops out in June. CBS is aware of NBC's hot competitive drive, but points out that despite her dip in standing, Lucy to-day reaches more TV homes than ever

The April Reader's Digest-the first issue to carry advertising-has a full house. Of the 268 companies that tried to buy space within the 32-page limit the Digest had set (BW-Nov. 13'54,p30), 30 made the grade-for a gross take for the Digest of just under \$1-million. All pages available are contracted for through March of next year, the Digest reports.

GMC Truck & Coach Div. of General Motors Corp. last week introduced a completely new line of trucks. It is an attempt to pick up business in 1955 that GMC deliberately passed up last

This year, GMC is shooting for sales of 100,000 units (in a market estimated at 950,000 to 1-million). Last year, it sold only 66,600 units (in a market of 829,100), though it could possibly have sold many more. What happened was that-for the first time in the truck industry, according to general manager P. J. Monaghan-GMC adopted the passenger car manufacturers' system of balancing out production so its 3,200 dealers would come up to the introduction of new models with no 1954 models left in stock.

GMC began its shrinking process a year ago, knowing that it was going to come out this year with a completely changed line. "We set a figure of no more than one truck per dealer by Mar. 1," says Monaghan, "and we came within 31 vehicles of making it."

Practice in the truck industry generally has been to keep producing at the projected sales rate throughout the year. Year-to-year model changes were rarely radical enough to crimp the market for the supplanted models. But GMC this year is bringing out 128

new models, all with overtones of ne senger-car styling and many engineer ing improvements, and it didn't want any old stock left in dealers' hands. § it geared its production to dealers' ventory. It's another step in the dustry's march toward the "planned obsolescence" that has distinguished the passenger car business.

A popular-priced light beer is Anheuse Busch's latest bid to keep top poi tion in the fierce battle of the brewer (BW-Mar.12'55,p152). Busch Lageri now on sale in the St. Louis area, will move into Illinois soon.

Oregon Gasoline Dealers' Assn. is suing Shell Oil Co. on antimonopoly charges of fixing prices and starting price wars through an unusual system

of dealerships.

The independent dealers accuse Shell of setting up what is known in the trade as "C" (for consignment) stations as a device to set low retail gas rates and kick off a competitive round of price cutting. Most independent dealers buy their gasoline from a supplier company, then supposedly fa their own individual prices. A C station dealer gets his gas on consignment from the oil company, then pays his supplier out of his actual sales, minus a percentage commission. The Oregon Dealers' Assn. claims this setup allows the supplier oil company to control the price the C station dealers will charge.

Shell-which as yet has refused comment on the suit-is reported preparing a formal answer. A similar C station arrangement of Gulf Oil Corp. in Texas and Rhode Island has brought sharp criticism from independent deal-

ers in those states.

The effect of a new product and a new profit basis is showing up in the Hudson automobile dealer organiza-

Since introduction of the new Hudson line in November, 233 new dealers have been signed (BW-Mar.19'55,

Just about a year ago, when Hudson Motor Car Co. was working out a merger with Nash-Kelvinator, Hudson had approximately 1,700 dealers. One of the major reasons Nash wanted to acquire Hudson was to get this dealer organization as a further outlet for the Nash Rambler. But Hudson dealers were slipping away because, with no really new car to sell for several years, they were losing their market.

The first upswing in Hudson dealer

"... A NEW BIRTH OF FREEDOM ... "

When Lincoln spoke of "a new birth of freedom" at Gettysburg he was concerned primarily with an immediate step in human history. Today freedom has many fronts, all linked to the common purpose. Contributing to the <u>freedom of time</u> is the modern electronic dictating machine. For those with letters to transmit, instructions to issue or ideas to record as they occur, no finer tool exists. With their simple, automatically efficient operation and naturalness of voice recording and reproduction, these time-liberating machines mark a new birth in our growing family of freedoms. In the rapidly evolving

atmosphere of automation, no expanding business can afford to be without them.

These fine new machines for dictating are made by these four leading manufacturers:

DICTAPHONE CORPORATION • THE SOUNDSCRIBER CORPORATION
THOMAS A. EDISON, INC. • THE GRAY MANUFACTURING COMPANY

The "heart" of each of these dictating machines consists of a recording diamond stylus manufactured with a precision of 1/10,000 of an inch by Diamond Tool Engineering Company.



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The compact calculator you can carry to the job



New FACIT...NTK

Here's the only 10-key calculator you can carry anywhere in its fine, flexible plastic traveling case. Truly lightweight—only 12 pounds! Equally useful to business men on the road, professional men, research fieldworkers and insurance agents. Handoperated—ideal in mines and oil fields. 100% visible setting, tabulating and operating control. Rapid and reliable Facit NTK multiplies, divides, adds, subtracts with 10 keys, all in easy reach. Next to noiseless.

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GOING TO EUROPE?

Be Sure To See The Many New Achievements Of British Design and Manufacture Among The Hundreds Of Products To Be Displayed At This Year's



BRITISH INDUSTRIES FAIR

"Run by Businessmen for Businessmen" LONDON, BIRMINGHAM—MAY 2nd TO 13th

British industry, forging forward under the incentive of full competition, will exhibit at this year's Fair a wealth of newly-designed, newly-improved products in every field among which you're certain to find just the one or more that can help you make money.

HIGH-FREQUENCY EQUIPMENT

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| Please send me individual Invitation to this year's Fair, Guest Card to the help- |
| ful Overseas Buyers Club and Descrip- |

*Or ask your nearest British Consulate.

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strength came after the merger that created American Motors Corp. Between May and August last year, the Hudson Div. added 105 dealers. However, as late as the end of October, AMC Pres. George Romney disclosed that Hudson had only 1,300 dealers.

Hudson sales vice-president N. K. Van Derzeen attributes the growing number of dealers to the new models and the incentive of American Motors' profit-sharing plan. Under this plan, the company will annually divry up among dealers a fund into which it has put a certain amount of money based on total dealers' sales.

Allied Stores is moving nearer its goal of a network of 10 shopping centers (BW-Jan.15'55,p62). Its Gertz department store will be the key shop in a \$40-million Mid-Island Plaza shopping center in Hicksville, Long Island. This makes the second big center in the New York area in which Allied will participate; the first, and biggest of the 10, will be the Bergen Mall center in New Jersey. Allied does not own the Mid-Island center, which will be financed mainly by local interests.

General Electric Co. admitted this week it sees a natural place for the discount house on the marketing scene.

GE's Charles K. Rieger—vice-president in charge of major appliances—told the American Bankers Assn. in St. Louis that discount houses are an outgrowth of areas where regular dealers stick to high mark-ups, give poor service, and make it hard for customers to get good credit terms. Customers have turned to discounters in many cases because they were "getting nothing from the other dealers anyway," Rieger said.

Discounters who give poor service and don't recognize the customers' needs are going broke the same as "oldfashioned dealers," he added. Despite GE's firm public stand on

Despite GE's firm public stand on the side of fair trade minimum price maintenance for its small appliances, many GE dealers have complained bit terly that the company is carrying water on both shoulders in the red-hot fair trade controversy.

Color spread is NBC's name for its latest color TV merchandising plan. Starting next fall, the network will expand its magazine concept—selling commercial time as one sells space in a magazine—to 13 color spectaculars. In each of the 90-min. shows there will be six 90-sec. commercials, which may be parceled out to as many as six different advertisers.

TEXFILES

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EQUIPMENT

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A School in Atlanta

Roswell High School. Designed for the state school authority by Stevens & Wilkenson Built by De Give, Dunham & O' Neill, Inc., users of Dodge Reports

A House in Omaha

House designed by Mrs. Frances M. Wilkie, Office of Leslie E. Wilkie, architect. Built by Andy Johnson & Son, users of Dodge Reports.

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There's one best way to sell them!

Looking for business in the field of new construction? Then its Dodge Reports you need. -Whether yours is a local firm or national organization-contractor, supplier, manufacturer of construction material or equipmentyou will find profit in the use of Dodge Reports.

Whatever you sell, whatever the size of your sales force, you must first find prospectsthen sell them. Dodge Reports provide the service of a 1,000 man field force highly skilled in performing one part of this sales joblocating the prospects you need.

This Dodge manpower combs every local market east of the Rockies to tell you daily for the market you cover-what construction projects are coming up-who you must seewhen you must step in to land the business.

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Timely, accurate construction news service East of the Rockies

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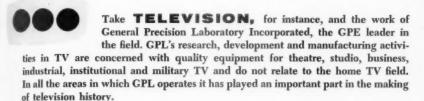
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advanced techniques & resources

The producing companies of General Precision Equipment Corporation are engaged in the development, production and sale of advanced technological products. Each of these companies specializes in particular areas of advanced competence and possesses highly developed techniques and resources in its particular field or fields. These are the building blocks of GPE Coordinated Precision Technology, through which GPE serves more than a dozen important industries.

The chart at the left shows the areas in which each GPE Producing Company works. But it cannot show the high degree of specialization and the important position each GPE Company occupies in its field or fields.



- ¶ GPL equipment was used for all video recording of the Coronation, both U. S. and Canadian. It is used by 90% of the studios equipped for video recording.
- ¶ The first appearance of a President on closed-circuit TV-President Eisenhower speaking from the White House to distinguished guests at the dedication of the Ford Research Center in Dearborn-was projected via GPL equipment.
- ¶ High quality portable projection equipment, newly developed by GPL, enabled guests assembled in several separate ballrooms of the Waldorf-Astoria to see and hear the Queen Mother at two New York dinners last Fall; made possible the historic 53-city TV hook-up which was a feature of GM's fifty-millionth car celebration. This equipment played a key role in the recent nationwide "heart-video-clinic"—the largest meeting of its kind ever held—attended by over 20,000 heart specialists in thirty-five cities. It is rapidly making closed-circuit TV a practical, everyday business and institutional meeting medium.
- Many broadcast studios, including CBS's famous TV 61-the largest in the East, are exclusively equipped with GPL cameras and control equipment.
- ¶ New uses are developing steadily for GPL's "Bullet," the new, portable, easily operated, industrial television camera: in banks to speed service, eliminate congestion and reduce personnel costs; in railroads to better control and speed train make-up and freight car loadings; in industry to monitor and improve manufacturing processes, for surveillance and security, and to view hazardous operations.

GPL is a leader in military TV with its special and exacting requirements for airborne, shipboard and under-water uses and is also at work on color TV. A color film camera chain of high quality, for studio use, is in production and additional color equipment will be announced in 1955.

A broad description of the work of GPL and the other GPE Companies is contained in the GPE brochure, "Serving Industry Through Coordinated Precision Technology." For a copy, or other information, address:



The "Bullet" TV Camera; for industrial, institutional and educational use. Produces useful pictures under conditions of poor lightle feeds any TV receiver or monitor; unique packaging permits placement in ordinarily inaccessible areas; unitized construction with plug-in component chassis minimizes maintenance requirements.



Projection TV Systems projects bright, clear pictures on screens from 3' x 4' to 9' to 12'.

Completely self-contained; easily transported; set up in matter of minutes; does not require skilled 'operator. Designed especially for closed-circuit meetings in hotels, clubs, auditoriums.



Remote Control TV Camera; for broadcast and industrial use. Pre-set control permits memory of 6 different shots, Mounted on servo-operated pedestal, provides complete remote control of lens selection, iris, pan and tilt. Highly useful for observing dangerous phenomena; permits broadcasting without use of camera man.

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Enclosed are samples of our present tickets. Without obligation, please give us your recommendation on how Soabar equipment can save us time and money.

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City & State

LOCAL BUSINESS

World's Fair Quest

CLEVELAND—Businessmen who have been booming a Cleveland world's fair, pegged to the opening of the St. Lawrence Seaway in 1959 (BW—Mar.5'55,p56), had something new and solid in their sales kits this week—a booking for the Pan American Games to be held in 1959.

Cleveland got the games after a series of quick moves by State Auditor James A. Rhodes, former president of the U. S. Amateur Athletic Union. Rhodes, who went to Mexico City for last week's games, carried with him a letter from Cleveland Mayor Anthony J. Celebrezze inviting the meet to the city in 1959. Before it was even generally known that Cleveland was bidding, the games officials accepted.

The initial reaction was anything but joyous. Rhodes' quick moves left a raft of people feeling slighted, hurt that they hadn't been consulted and their efforts enlisted. Most of the feathers and feelings were smoothed, though, when the city packed off a delegation to Mexico City with the mission of observing the games to see how they should be staged.

By this week the feeling was that the games had given Cleveland the base on which it could build the world's fair that's been talked about. The meet draws athletes from 24 American nations and usually attracts crowds of 100,000 or more.

How Far Is Legible?

PITTSBURGH —A move to ban billboards in part of the downtown area here has sidetracked into a squabble over how far away a person can be and still read a sign. The city's planning commission says 300 ft. is the limit of legibility. An attorney representing Gimbel's department store thinks it's more than that.

The argument springs from an ordinance now before the City Council that would ban all billboards and overhanging sidewalk signs within 300 ft. of the new Mellon Square Park. Gimbel's sits right across the street from the park, and its signs would be within the 300-ft. limit. All of Pittsburgh's other department stores are safely out-of-bounds.

Gimbel's says the bill as now drawn is unfair and discriminatory. It takes the stand that if the city wants to ban billboards, it should prohibit them throughout the Triangle area. As things stand now, it contends a business on the southerly side of Fifth Avenue could put up a sign, while a competitor

across the street couldn't. Anyway, it says, people can read at distances of more than 300 ft.; they'd still be able to see big signs from the park, even though the boards were outside the restricted zone.

End of the Line

SPRINGFIELD, MASS. - Directors of Springfield Street Ry. Co. are getting ready to hang out the "for sale" signs.

Faced with an estimated loss of \$65,000 in the first half of this year, the directors have voted to liquidate the company on June 30 and have asked stockholders to O.K. the move next week. Since the directors hold 90% of the stock, the feeling is it's almost certain that the company will be offered for sale, either in whole or in part.

Springfield Street Ry. is one of the New England transit companies in which Frederic C. Dumaine, Jr., former president of the New York, New Haven & Hartford RR., has a hand. Dumaine is a stockholder of Springfield and also of Worcester Bus Co.; his financial colleague William B. Snow is chairman of both. Two years ago when the two took over Worcester Bus, Dumaine reported that they had put the Springfield company on its feet.

Tax Plum Courted

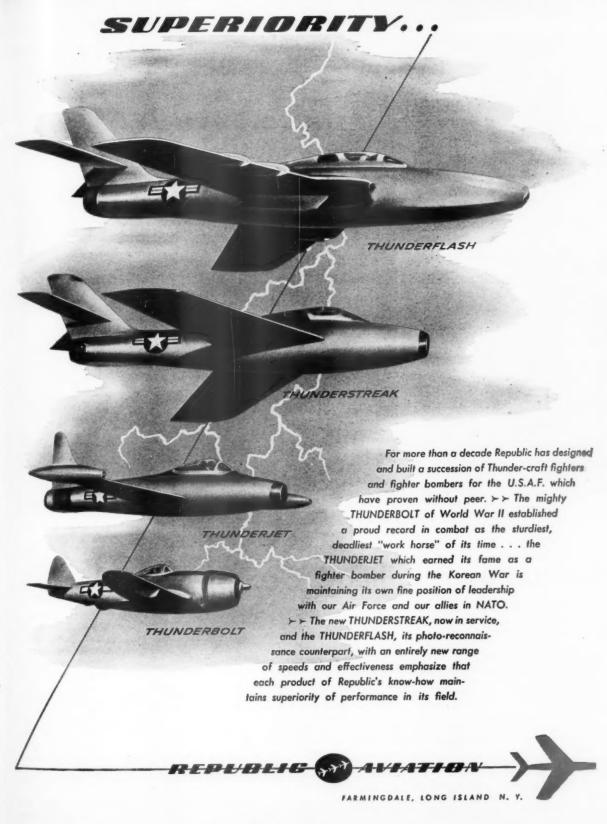
DETROIT—A Detroit manufacturer of oil and hydraulic equipment has found that a \$20,000 tax down will stir up no end of emotion among its municipal suitors.

its municipal suitors.

Early this month, Vickers, Inc., announced plans to build a \$2-million plant on a 76-acre site in suburban Troy Township. Originally, Vickers asked that the property be annexed by the city of Royal Oak, so that the plant could use Royal Oak's water and sewage system. The city, with its eye on about \$20,000 a year in taxes from the plant, promptly set about investigating what it could do to annex the land.

But then two things happened: (1) Troy Township filed a petition for incorporation, which would block Royal Oak or anyone else from annexing the land; (2) Clawson, another suburban community adjoining the site, put in its bid for annexation.

At this point, Vickers, with three suitors, is playing coy. It now refuses to say which of the communities it would prefer to have the responsibility—and the income—of the plant.



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Designers and Builders of the Incomparable THUNDER-ERAFT

PRODUCTION





SMALL-BUT this single germanium ingot can make some 2,000 transistors. Now . . .

MECHANIZATION is improving quality control and standardization. The ingot starts with a seed crystal, grows out of a molten bath (bottom) by slow rotation.

Germanium, Silicon Get Spectacular

With transistors crashing into the commercial big time (BW-Feb.5'55, p86) and other electronics developments popping out all over, the demand for two of the key raw materials of the electronics industry-germanium and silicon—is heading into a speedy climb. These two elements are becoming the hottest things in the chemical industry, joining the charmed circle of fast-growing prodigies that already includes lithium, titanium, and fluoro-hydrocarbons.

Germanium—the metallic element shown in the pictures above—is the heart of most transistors, the tiny units that can duplicate the operation of vacuum tubes, and with only a fraction of their power consumption. It is becoming one of the most researched and promising raw materials for electronics.

Next to germanium, silicon gets most of the present hoop-la from electronics men. It's the key to some transistor types; and they see it as the raw material for more powerful rugged units such as rectifiers for direct-current motors.

• Upward Curve—Both germanium and silicon are among the materials classed as semiconductors (BW—Aug.28'54, p88). A sure sign that these materials are no longer just a research baby but a full-grown commercial product is this: Last fall, for the first time, Raytheon Mfg. Co. hit the 1-million mark in its transistor production.

From now on, marketing specialists plot the sales growth of semiconductor products—and the consequent demand for germanium and silicon—in a fast upward curve. Semiconductor sales for

1955, they figure, will total between \$18-million and \$20-million. In 10 years the total will climb to around \$165-million annually for the semiconductor products. By then, vacuum tube scales will add up roughly to \$500-million a year.

• Progeny—Silicon, in addition to being a chemical prodigy itself, is the source for other materials that can perform new industrial tricks. It's the basic material for the silicones (BW—Jan.9 '54,p134), which are finding diverse outlets in electrical insulation, waterproofing, polishing, wetting, and a host of other uses.

 Fish Nor Fowl—In properties and end-applications, germanium and silicon are really dissimilar to the other prodigies. What gives germanium and silicon their distinction is the fact that, like

You name it-MOYNO pumps it!



Foods

Potato salad, chow mein, peas, cream-style corn, tomatoes, molasses, chocolate.

best suited to the job.



Chemicals

Caustics, acids, dyes, petroleum solvents, soaps, sludges, latex, synthetic resins.



Pastes

Paper coating, starch, seam paste, size, adhesive dope, heavy grease, graphite sludge.



Abrasives

Insulator clay, frit, ground glass and water, porcelain glaze and enamel, cement, plaster.

Positive displacement—Moynos can deliver up to 250 g.p.m.; pressures to 600 p.s.i. Non-Pulsating—no churning, no aerating. Versatile—handles liquids, obrasive slurries, pastes. Rotor and stator available in materials

Trouble-Free—self priming; won't cavitate or vapor-lock. Just one maving part—no valves to stick, no pistons to gum up. Built for tough service. Easy to maintain.

R&M Moynos handle almost anything that can pass through a pipe

The Moyno is a problem-solving pump. And whether your problem is one of materials, maintenance or flow, there's a better-than-even chance that the Moyno is the pump you're looking for.

Here is a completely different kind of pump that handles almost anything that will push through a pipe, from free-flowing liquids to non-pourable pastes—even materials containing relatively large particles or abrasives.

This is how the Moyno works: a screwlike rotor turning within a double-threaded stator creates cavities which progress toward the discharge end of the pump, carrying the material being handled. The result is a smooth, steady flow, free from pulsation and turbulence.

The pumping elements of the Moyno are available in a wide range of materials, depending upon the substances to be pumped. From stainless steels and synthetic rubber to tool steels, bronze, plastics—there is a Moyno that will do the job you want, and do it with remarkable efficiency.

Industrial-type Moynos are available with capacities to 250 g.p.m.; pressures to 600 p.s.i. Small Moynos (see inset), used as original equipment, serve on washers, water pumps, sprayers, and many other products.



FREE... this informative bulletin

Tell us your pumping problem—let's see how the Moyno can help solve it. If necessary, we'll be glad to run tests for you in our own laboratories. In any case,

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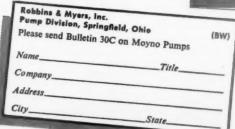
Desk, Window, and Household Fans



Hoists and Cranes



Propellair Industrial Ventilating Equipment

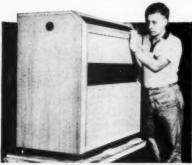


"We keep our new look - new-

from Bombay to Birmingham,"
says Fred Stidfole,
Vice President,
Remington Corporation

"After all the money and effort we put into the fine mechanism and appearance of a Remington Console air conditioner, we want it to reach the customer in the same condition it leaves our plant — perfect," Mr. Stidfole declared.

"We turned to Atlas Plywood to study the 'safe transit' problem of the unit as carefully as we studied its design and manufacture. The Remington conditioner never arrives travel-weary!"



It's a beauty, isn't it? A beauty that will stay unmarred from the time it leaves Remington's plant at, Auburn, New York, until it reaches the user. Jolts, jars and bumps of travel can't injure either mechanism or cabinet, thanks to the way this console is packed for shipment. Remington is one of the great names in console air conditioning. They ship all they make in Atlas Plywood cases.



Atlas Plywood cases . . . for safe transit. Remington travel-tested many shipping containers . . picked the Atlas-engineered case over several others that cost more to buy and to ship. The container firmly cushions the product for complete protection — yet doesn't touch the conditioner itself at any point. "Perfect," says the Vice President. "Reasonable in cost," confirms his comptroller.

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PLYWOOD CONTAINERS * FLUSH DOORS * HARDWOOD PANELS





What about you? Do you risk wasted dollars due to product damage or increased shipping costs from unreliable containers? Send for free informative, illustrated 24-page booklet, "How Atlas Plywood Cuts Your Shipping Costs... Safely,"—or see your Atlas Plywood representative (Classified Telephone Directory). Learn about the remarkable testing laboratory where Atlas Plywood containers win their lab-tested label. Atlas Plywood Corporation, Dept. BW-8, 1432 Statler Building, Boston 16, Mass.

other semiconductors, they are neither fish nor fowl in physical makeup. As far as the flow of electricity is concerned, they are not insulators, nor are they good conductors.

Besides being only so-so conductors, they pass alternating current in one direction of flow, but not in the reverse

direction.

But these two properties—semiconduction and uni-directional flow—are just what you need for duplicating the operation of a vacuum tube.

The simplest design of semiconductors is in rectifiers for radio, video, and radar work, or for power circuits in industrial equipment. Take a rectifier, called a diode, used in a video set. It's similar in construction and operation to the crystal and cat-whisker arrangement used in the early days of wireless. An incoming, alternating current signal, fed through the diode, comes out as a pulsating direct current—a more usable form.

A transistor is in effect two diodes connected together back to back. One side of the transistor is a kind of trigger mechanism. A weak incoming signal causes that side to set off a flow of electrons through the other half of the transistor. This second half has a high voltage connected across it. Through the triggering action, the incoming signal is duplicated and amplified at a more powerful level in the second half.

Costwise, the tab for the two elements is probably the highest for any raw materials purchased by the electronics industry. Germanium sells at around \$400 per lb., silicon at about \$380 per lb. (Their high purity is the

reason for the cost.)

But a finished rectifier or transistor uses a little wafer of germanium or silicon, worth only from 2¢ to 5¢. That's actually a cheapness in end cost that has helped to make semiconductors more competitive with vacuum tubes and to give them a shove into such applications as portable radios, military gear, electronic computers.

• Purity—A bigger hurdle is this: To get close control in engineering and making semiconductor products, manufacturers are finicky about the purity and standardization of the raw materials. The trouble is, they haven't been able to get purity in abundant supplies.

Most of the answer to this is in improved methods of processing and assembly. The search for improvement is through mechanization. And the manufacturers are gearing up the mechanism for the coming zoom in sales.

Right now, for example, General Electric Co.'s semiconductor men are spending around \$3-million a year in developing transistor manufacturing. Most other manufacturers have earmarked a good chunk of their budgets for the same thing. To speed improve-

YOUR NEW PLANT WILL GROW IN THE ERIE AREA



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New plant of Art Metal Construction Company, Jamestown, N. Y.

the plant site that pays off for industry

• Go where industry gets the advantages of the middle-sized town—better living conditions that show up in increased production, better morale.

We will help you select one of the middlesized towns in the Erie Area—the heart of the nation's single largest market. Here a third of America's people live, work and buy.

Products and markets are close to each other. Industry is well served by the dependable Erie Railroad—the progressive railroad which offers the best in transportation. Mail the coupon below today.

Erie Railroad

Serving the Heart of Industrial America



For more detailed information, send in the coupon below. Your request will be handled in strict confidence—and without obligation.

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D. M. Lynn, Assistant Vice President Industrial Development—Room 520-A, Erie Railroad Midland Building, Cleveland 15, Ohio

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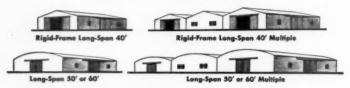
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ments, the Defense Dept. has granted

• Scarce and Tricky—One difficulty in the search for purity is that germanium is scarce to begin with. Eagle-Picher Co., the prime producer, first extracted germanium from its zinc because the element interfered with zinc galvanizing. Besides, the yield is low: You're lucky to get 1 lb. of germanium from 10,000 tons of ore. The yield from the ash or soot in some deposits of lignite and coal isn't much better.

Silicon is more abundant, but it's trickier to purify. Du Pont's Pigments Dept., Newport, Del., is sole commercial producer for transistor makers. Its silicon has less than one part of impurities in 1-million. But the researchers in manufacturers laboratories are asking for higher purity.

Sheer quality isn't the only reason. Engineers explain that they need exact control over the design and engineering variables, which can run as high as 100. By working with near-pure materials, they have one control factor licked to start with.

It's better to add known amounts of the necessary impurities than to use impure materials whose foreign parts might be difficult to measure.

 Simple—Bell Telephone Laboratories, Inc., Murray Hill, N. J., devised a simple method for purifying the materials supplied by producers. It is called zone melting, and generally works this way. The end of an ingot is heated to a molten state. With continuous heating, the molten section moves down the length of the ingot. As it travels along the ingot, the molten zone "sweeps" the impurities through the ingot to the opposite end. Bell Labs has germanium with a purity of one atom of foreign matter in 10-billion of germanium. General Electric, using Bell's method, has produced silicon of near-perfect purity.

GE has also pioneered a mechanical method for forming the ingots before they are cut up to make transistors. An ingot is repeatedly heated and chilled as it is drawn out of a molten bath of germanium or silicon. That way, the operating characteristics of a transistor are partly built into the ingot beforehand.

• Uses—In end uses, germanium will probably always come in first. Within its temperature range, it is a better semiconductor, and excellent for communications equipment, hearing aids, and electronic computers. But silicon takes over whenever operating temperatures are above 212F, because then germanium is useless. Silicon's heat resistance makes it ideal for jet aircraft and guided missiles, and for hot factory jobs. For industrial applications, it can also handle several times more power than germanium.



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35,000-TON forging press at Wyman-Gordon squeezes out bigger, stronger aircraft parts, at last matching press the Russians took from Germany 10 years ago.

The U.S. Catches Up

In the town of Bitterfeld, Germany, on June 25, 1945, a crew of Russian engineers moved into the I. G. Farben plant and went to work. The plant had been heavily bombed, but the object they were after was not badly damaged. The object was a huge, forging press, the only one of its kind in the world.

This month, the U.S. put to work a similar press of its own (picture). And a small group of engineers breathed a long sigh of relief.

For, back in 1945, those Russian engineers had dismantled the Farben press, moved it piece-by-piece—and

with it, its skilled German operatorsthrough Poland, Western Russia, and over the Ural Mountains into the Russian interior.

• Four Years After—During the Korean War, the work of the press began to show up in Russian-built MiGs captured by the United Nations forces. The MiGs had structural members in their frames that were stronger than parts in U.N. planes, because we had no such heavy presses to produce big parts for our planes.

But now, the U.S. is catching up in the field of giant forging presses. And by fall, it will have three more presses

capable of turning out aircraft parts of

great size and strength.

· Group's Victory-In a way, this first American press, which is in the plant of Wyman-Gordon Co., North Graf-ton, Mass., represents a victory for a small group in the U.S. that has been urging the government to step faster in its construction of such giant

For nearly 10 years, these men have known what the Russians' press would mean in terms of Russian air power and they feared there might be a second, more powerful press at work within Russia. The plans for the larger press were in Russian hands, too.

Now, such men as Erwin Loewy, whose firm-Loewy Construction Co., Inc., New York-designed and built the U.S. press, and Robert W. Stoddard, president of Wyman-Gordon, the company that will operate it, believe they can prove that heavy presses can help build better aircraft at lower

• Savings-The first forging to come out of the Wyman-Gordon press was an aluminum wing spar for a new interceptor plane that Convair is building for the Air Force. It was the largest light alloy die forging ever produced in the U.S.: 12 ft. long, 18 in. wide at its widest section. The Convair plane will use four of those spars in its wings. They will replace 272 parts, save 3,200 rivets, reduce the plane's weight by

100 pounds. · Why Wait?-If a press like this can reduce weight and save materials and money, why have we waited so long to build it? (The military cutback immediately after World War II caused the delay.) It took the Korean War to get the Air Force heavy press program going In 1951, Congress appropriated \$410-million for 17 presses: nine forg-ing presses (like the one shown in the picture) and eight extrusion presses. (A forging press uses a pair of dies, squeezes the metal into shape by forcing the dies to close down on the metal. An extrusion press uses a single die. squeezes a mass of metal through it; the metal takes the shape of the die, comes out in the form of a long bar.)

In 1953, the program was cut back to \$279-million; down to the four forging presses that will begin working this year and six extrusion presses most of which should be ready this year also. · Skeptics-From the start, the program has had rough going from the skeptics.

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But Erwin Loewy, whose companies have been designing bigger and bigger presses for the past 32 years (in Europe until 1940, in the U.S. since then) says that in a year the Air Force and the aircraft industry will be asking for more presses like the one at Wyman-Gordon. He says that such heavy presses will

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help cut aircraft costs by 20% to 25%.

This year, all four heavy forging presses should have a chance to show what they can do. Along with the just completed 35,000-ton press. Wyman-Gordon will start operating a larger one-50,000 tons—at its North Grafton plant in September or October. Loewy is the designer and builder. In Cleveland, Alcoa expects to start using a pair of giants—35,000 tons and 50,000 tons—by early May. The 35,000 ton press was built by United Engineering & Foundry Co., Pittsburgh; the 50,000-ton press, by Mesta Machine Co., Pittsburgh.

Wyman-Gordon says its 35,000-ton press will soon be producing parts for other military aircraft: Republic's F105, North American's F100, and Boeing's jet tankers, the KC-135 (BW-Mar.12 '55,p58).

The company has 30 dies ready for the new press. The Convair wing spar will take six of these—three sets; they are the largest ever made for a forging press, weighing a total of 16,800 lb.

• Time Factor—Since it started using the press a couple of weeks ago, Wyman-Gordon says that it has been able to turn out those wing spars "in an astonishingly little time." Also, when a piece comes out of the press, there is little machining work to be done on it—another big saving.

Alcoa, for example, has a 15,000-ton forging press at Cleveland that produces airplane parts weighing 300 lb. after forging. But the specifications call for a smaller part with a weight of 200 lb. and that extra 100 lb. has to be machined off, at a cost of about \$1,000 per part. On the new press, the same forged part will weigh 225 lb., will cost only \$250 to machine to specifications.

Both Wyman-Gordon and Alcoa have a five-year leasing arrangement with the government for the presses. Under the arrangement they pay to the Air Force 4% of net sales of the products made by the presses.

• Civilians, Too—But the giant presses will do more than crank out aircraft parts in a hurry.

To keep the presses busy, Wyman-Gordon and Alcoa are looking around for commercial products that could be produced with the presses. (At Cleveland, Alcoa is using the 15,000-ton press to produce spoked auto wheels for the Cadillac Eldorado (BW—Dec.4'54, p64). Wyman-Gordon has been using an 18,000-ton press in its plant to pro-

duce commercial product components.)
With their bigger presses, both companies expect to produce such things as automobile chassis, freight car frames, truck floors. But at first, there will be few such orders from those manufacturers, because they have not taken the big presses into account in their product designs.



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Steel Costs Less...

... to produce by the new oxygen method. That's the finding of McLouth, after months of operation.

Over the past few months, the steel industry has had an eye on a new European steelmaking process that uses oxygen as its fuel. McLouth Steel Corp., near Detroit, took it up first in the U.S. making a deal about a year ago with Brassert Oxygen Technik A. F., the Swiss firm that had been promoting the process (BW-Mar.6'54, p52).

McLouth bought three 35-ton oxygen converters, started producing steel with them late last year (BW-Dec.25 '54,p26). By last week, the company was ready to show some cost savings.

The company figures that it is producing steel at \$3 per ton less than conventional methods, \$5 per ton less than such specialized methods as the electric arc furnace.

It says that it spends 70¢ per ingot ton for its fuel—oxygen. This is considerably lower than the fuel cost in open hearth furnaces, which today account for more than 90% of tonnage.

• Savings on Plant—Furthermore, McLouth believes it saved \$18-million on its initial capital outlay by choosing the oxygen process over the open hearth. The new unit cost \$7-million, including the building, handling facilities, and the three 35-ton oxygen converters. A comparable open hearth unit, McLouth figures, would have cost \$25-million.

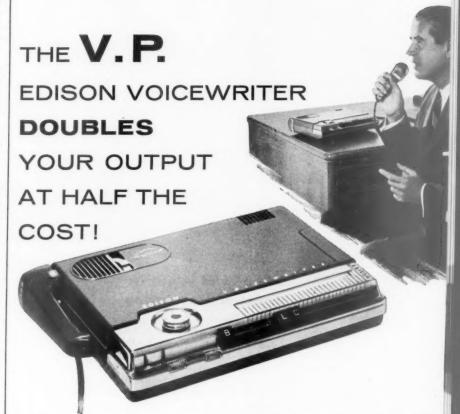
When the plant gets rolling at full production—within the next 60 days—McLouth says it will be able to make 40 heats a day, each producing 40 tons of ingot. That means 1,600 tons of steel in a 24-hour day. Since December, the company has produced 40,000 tons. By the end of the year—if demand is sufficient—it will be able to produce more than 300,000 tons additional.

Ivor Bryn, McClouth's director of operations, says the new process has brought many steelmen to Detroit for a look. He added that many of them come from the big companies, although the process was thought at first to be tailored more for the small company.

• Bessemer Plus—In appearance, the oxygen setup looks a little like the Bessemer converter. It works something like it, too, except that oxygen is blown down through the melt; in the Bessemer converter, air shoots up through the molten pig iron. But the product is a steel comparable in quality to open hearth steel, and better than steel made in the Bessemer converter.

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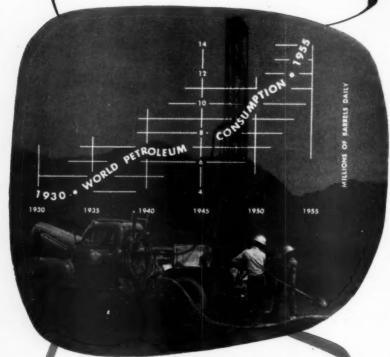
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In addition to its geophysical activities, Texas Instruments develops and manufactures electronic components and equipment for many commercial and military uses. TI is the leading producer of germanium transistors (tiny devices that take the place of vacuum tubes) and is the exclusive commercial producer of the high temperature silicon transistor.



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TEXAS INSTRUMENTS

PRODUCTION BRIEFS

Efficient use of America's resources: Over the next five years, MIT's School of Architecture & Planning will study ways to plan industrial expansion and human activities in terms of the resources that are available. Some of the subjects that will come up for study water supplies, transportation, housing.

Noxious odors that are created during the manufacture of paint and varnish can be reduced considerably, says Illinois Institute of Technology, Chicago, From a long-range study of fume control, IIT scientists have developed a method of fume analysis and designed a plant process that greatly reduces the odors.

Armco Steel Corp. will build a new hot strip mill at its Butler (Pa.) works, two new open hearth furnaces at Middletown, Ohio, and a new reversing cold mill at Ashland, Ky. The company will spend \$60-million in this expansion program, which was announced about three months ago (BW-Dec.11'54, p62).

A turbojet engine that is 50% more powerful than the battle-tested J47s is in production now at General Electric Co.'s plant near Cincinnati. The new J73 has been assigned to power the North American F-86H Sabre Jet. An early model of this engine helped the F-86H set a new speed record last year at Dayton.

More Comets: British Overseas Airways Corp. has ordered 20 new-type de Havilland Comet jet airliners. The new plane, which will not be delivered until 1958, is designated as the Comet IV. It will be structurally stronger but not any faster than the Comet I, which was grounded last year after two serious accidents (BW—Nov.6'54,p121).

Tapered bearings, too: SKF Industries. Inc., Philadelphia, said last week that it was rounding out its product line-ball bearings and roller bearings-by purchasing a majority of the stock of Tyson Bearing Corp., Massillon (Ohio) manufacturer of tapered roller bearings.

Thompson Products, Inc., Cleveland, a big supplier to the Ford Motor Co., said last week that it is building an \$8-million chassis parts plant northeast of Detroit, about a mile from the site of a plant that Ford expects to have in operation by 1957. Thompson's plant is scheduled for July, 1956. and will employ about 1,400 workers.

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NEW PRODUCTS



Shell Molds . . .



At Half the Price

The pictures above show a new step forward that shell molding took this week. Shell molding is a process that foundrymen have liked ever since it was introduced to the U.S. from Europe after World War II. Now, a new shell molding machine (top picture) and a trolley conveyor line to supplement it (lower picture) might make them like it even more.

Shell molding makes the foundryman's job easier. The molds weigh only one-twentieth as much as sand molds and are easier to store. They take up less space, are less likely to break than sand molds.

Last year, Walworth Co., New York, showed how a shell molding process could mechanize a foundry's operation (BW-Feb.6'54,p136). Walworth worked with Link-Belt Co., Chicago, to



Look at that mud and dirt. It's squeezed, packed and splattered all over those track rollers . . . fighting to get in and wreck the bearings. And the next job may find this track deep in water or slogging through sand and dust. But C/R Oil Seals are keeping those bearings safe as a baby in bed. Their ability to exclude foreign matter and retain lubricants under the most extreme heavy-duty conditions is a long established fact . . . proved by dependable performance. That's why engineers consider C/R first source for help with tough bearing protection problems. They'll cooperate on special designs or help you choose from 17 stock types in over 1800 sizes.





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develop an eight-station machine that could turn out 240 molds an hour.
• Price Halved-This week, Link-Belt

announced its new machine. It's designed along the same lines as the Walworth machine, but it costs only about half as much.

The Walworth machine sells for about \$75,000. To the big company that wants to mechanize its foundry, this may not seem to be such a heavy investment. Walworth can show that it pays for itself in higher productivity.

But in the foundry industry, there are hundreds of small producers, many of whom haven't the \$75,000 to spend. Link-Belt is going after this market

with its machine.

It shaves the price in half by combining two operations into one. The Walworth machine has three pattern stations (where the mold is formed) and three gas-fired ovens (where the mold is heated before it passes to the pattern station).

· Gas Out-The new machine uses electric heating coils, placed beneath the patterns, instead of gas-fired ovens. The company says that heat loss is reduced, and elimination of the gasfired ovens is the big factor in the new

machine's lower price.

Link-Belt has built one machine for its own testing purposes. It is working at the company's Ewart plant in Indianapolis. A second machine is being built. The company says that it will be delivered in about 60 days to an automotive parts manufacturer.

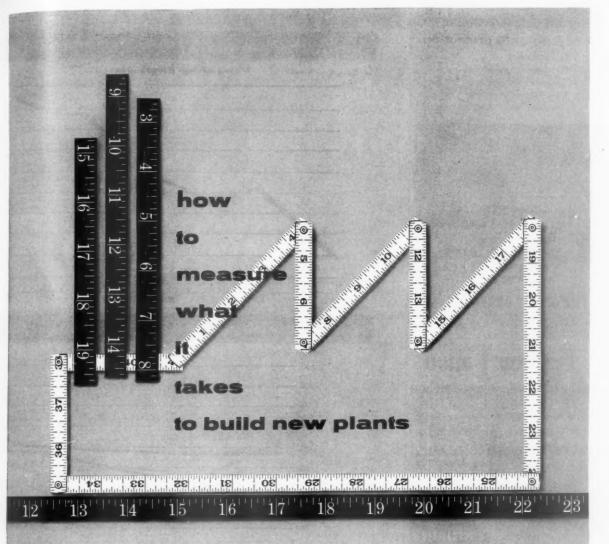
• Source: Link-Belt Co., 307 North Michigan Ave., Chicago 1, Ill.

NEW PRODUCTS BRIEFS

Automation in the office: Monroe Calculating Machine Co., Orange, N. J., announced 14 new bookkeeping machines and 20 new adding machines this week. The company says it's the broadest line in the industry.

Longer life for carbide tools: Allegheny Ludlum Steel Corp., Pittsburgh, says that its two new cemented carbides will reduce machining costs in steelcutting applications. One grade is designed for use on slow-speed machines; the second, for light machining and finishing.

The freezing point of antifreeze in automobile radiators can be determined accurately by the motorist with a new device that has been developed by Darbo Enterprise Co., Madison, Wis., and the Armour Research Foundation, Chicago. It gives a direct reading of antifreeze strength without reference to specific gravity charts.



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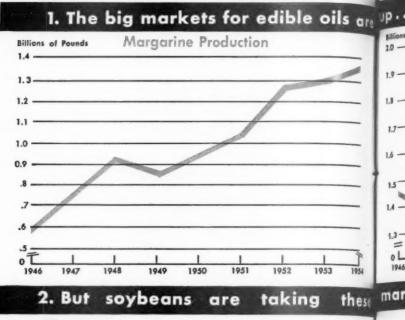


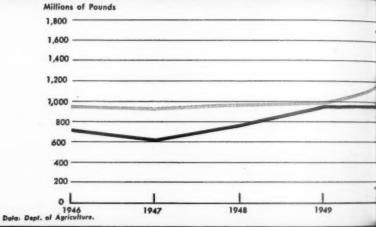
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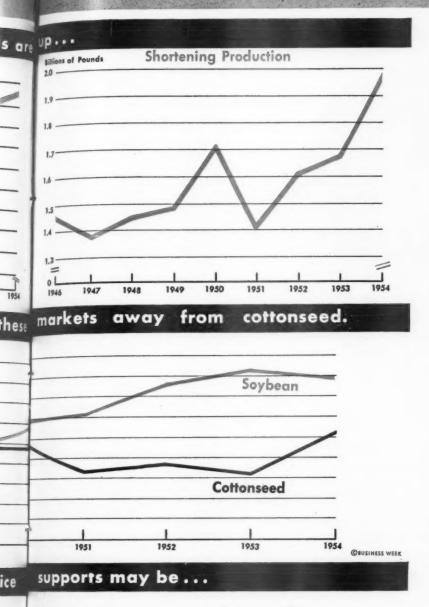
A glance at the charts above shows clearly why the cottonseed oil industry is in the dumps. Cottonseed and soybeans produce the two chief edible oils. Their big markets are in margarine and shortening. Within these markets, the two oils are almost completely interchangeable, depending on supply and price. Cottonseed originally developed these markets; now soybeans -slowly but surely-are taking them

Last week, the Agriculture Dept. announced a new price support program for oilseeds that may give cottonseed its needed boost.

Up to this time, most observers have blamed the federal government for cottonseed's poor showing on the market. In operation, they say, the government price support programs on cottonseed and soybeans have worked out so that sovbean oil stays in the market and gets used, while cottonseed oil gravitates toward government stocks.

• Complicated—Government proppers concede that this is true, but solving the problem is no easy matter.

Under the old program, soybeans and cottonseed were supported in different ways. Soybean growers could get loans on their crops, or sell the beans out-



right to the government. But the support was on the soybean itself.

Cottonseed, however, is perishable, and can't be stored for any length of time. For the past few years, it has been supported by a so-called "package deal" on cottonseed products. The govemment offered to buy from crushers (who process the seed) a package of cottonseed oil, meal, and linters (the fuzz on the cottonseed). Washington would pay a fixed price for the package, provided the crushers paid the farmer support prices for the seed. Buying prices were based on average processing costs, and gave the crusher a sure margin over what he had paid for the seed.

With this program, huge quantities of cottonseed oil, meal, and linters landed in Commodity Credit Corp.

stocks over the years.

· Stockpile-Export demand for the oil has been good, so CCC got rid of a fairly large part of it that way last year, and expects to scale stocks pretty much down to size by the end of this year. But sales abroad are at world market prices-with the government taking a loss on every pound it sells.

Meal, at the moment, is no problem. Cottonseed meal also competes in the market with soybean meal, though not



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so directly as the two oils. drought cut into last year's soybean crop, CCC sold a big part of its cottonseed meal back into the market.

Most of the linters that CCC took in it still holds-\$65-million worth at the last accounting. Cotton linters are used in bedding and upholstery, also chemically to make cellulose. Demand for linters is way down; the cellulose market is just about lost to wood pulp, and foam rubber has bounced into the bedding and upholstery markets.

· Where It Hurts-All in all, from the government's standpoint, the cottonseed program has been an expensive one -- and a headache to administer. From the point of view of competition between the two oils, critics claim it has hurt cottonseed oil on two counts:

· Support levels on sovbeans and cottonseed do not reflect a true market value in relation to each other. Crushers can usually get more for the products from a ton of sovbeans than from a ton of cottonseed. Support prices on cottonseed are lower, but not by enough to reflect the difference.

· Because of the package program, the crusher's profit margin has been higher in cottonseed than in sovbeans. Once a sovbean crusher buys the beans. he has no choice but to market the products for whatever price they will bring. Competition often brings his margin down very low. But the cottonseed crusher, under the old program, didn't really have to compete in the open market; he had a ready-made customer in the government.

· Stepchild-These two factors, taken together, have made cottonseed oil the stepchild in the edible oils family. Whenever there's a surplus, it's a surplus of cottonseed oil.

· Remedies-Here are the changes in oilseed supports announced last week:

· Supports on 1955 cottonseed, sovbeans, and flaxseed have been lowered-cottonseed and flaxseed to 65%

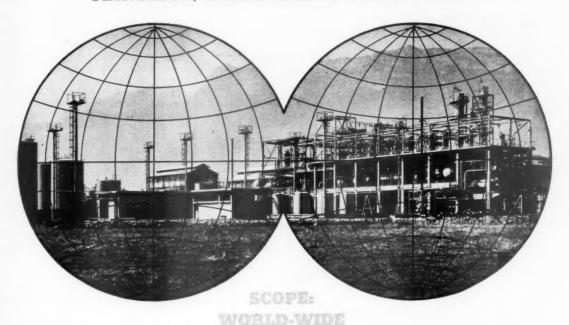
of parity, sovbeans to 70%.

 The package program on cottonseed has been abandoned in favor of a loan and purchase program on farmstored cottonseed. The government will also buy cottonseed from gins and crushers-at prices not announced at midweek. This last will really be an underwriting proposition; in effect, the government is telling crushers that if they pay support prices it will take the cottonseed off their hands should the market go sour.

· Cutting the Crop-The main reason for the lower support levels is to discourage farmers from diverting land from wheat, corn, and cotton (which are under acreage allotments) into soybeans and flaxseed. In addition, the lower support on cottonseed should bring the oil down to where it can compete at world market prices. Since

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export demand is good, large amounts of the oil probably can be sold abroad —without government subsidy.

The main competitive help for cottonseed will come from junking the package program. This means that CCC is no longer in the cottonseed products business, and that crushers will have to compete in the open market.

• Less Effective—There is little doubt that the new support program will be much less effective in actually supporting prices. Government officials, when asked what meaning there is in a loan and purchase program on farm-stored cottonseed, when cottonseed can't be stored on the farm, would say only that "The details haven't been worked out yet." Crushers' facilities for storing cottonseed are much better than those on the farm, but they're limited to just several months' supply at a time—and even here cottonseed won't keep indefinitely.

 Holding Price Line—The main hope behind the new program is that prices won't come to rest on supports. Acreage allotments on cotton are down again this year. Price-proppers expect that with a small crop and good foreign demand, prices will stay above the support level through most of the year.

One of the alternatives Agriculture Dept. was considering was to drop cottonseed supports altogether. The theory was that, with cottonseed and soybeans in such close competition, supporting soybeans only should keep cottonseed from going through the floor. Besides, the farmer gets only 15% to 20% of the value of his cotton crop from the seed. In the last analysis, though, the political effects of ditching a support program outright looked too frightening. Many observers feel that the current program is a halfway step in the same direction.

• Importance—Actually, the whole fats and oils business is an intriguing one. Taken as a group, they provide the basic raw materials for a long list of industries; you can gauge their over-all importance from the fact that they almost always become critically scare in time of war. Yet, important as they are, most of them are byproducts, and their supply doesn't depend on the demand for oil at all.

Go down the list of the leading fats and oils: Lard comes from hogs, tallow from cattle. The supply of both depends not on their demand, but on the demand for meat. Cotton isn't produced for its cottonseed. Even soybean production depends as much on the need for soybean meal as for oil.

So each of the various fats and oils is really a commodity in itself. Yet because they're so much alike—or can be made to be so much alike—competition between them is fierce.

TO THE RESCUE...



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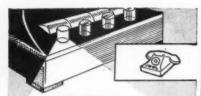
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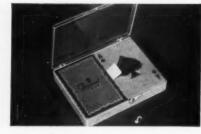
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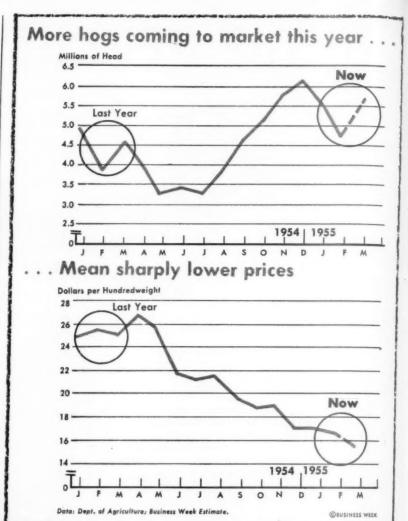
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Too Many Pigs at the Market

If you raise hogs, you figure your profit roughly on the difference between the cost of the corn that you feed into them and the price they bring on the market. Since the end of World War II farmers have considered a hog-corn ratio of 12 (which means 100 lb. of hog will buy 12 bu. of corn) their breakeven point. Today skidding hog prices (chart), only par-tially offset by lower corn prices, have showed the ratio below that pointto 10.6.

• Uneasiness-The 10.6 ratio is the lowest since late 1952. This time last year 100 lb. of hog bought 16.3 bu. of corn. The sharp fall-off in the ratio has some politicians recalling uneasily that in late 1952 the party in power-the Democrats-lost the national election.

Hog prices are down more than 35% from a year ago. The big reason

for the sharp downturn is that last year's robust 16.3 ratio made hog raising look almost as profitable as a uranium strike. The result was more pigs. The crop in the spring of 1954 was 12% higher than the previous year and the fall crop showed a gain of 16%

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Then the big crop from last spring helped throw the normal marketing patterns out of kilter this year. Usually, hogs coming to market now would nearly all be from last year's fall crop. But instead, the fall pigs are bumping into a fairly large supply held over from last spring's crop. This situation developed when farmers, overconfident that prices would stay high, held onto their spring pigs longer than usual. So, while the fall crop is up 16%, hog slaughter so far this year has increased more than 20% (chart).

• Turning Point-But still, the 35% drop in the price of hogs is far out of proportion with the increased number going to the slaughterhouse. This oversharp price reaction in the meat business often occurs at the turning point in a cycle: The marketing system gets set to handle a certain volume and doesn't adjust easily to any sudden sharp change from the expected supply. As a whole, the industry always processes and distributes all the meat that's offered to it at any particular time. When supplies are on the tight side, packers bid prices up to sustain their level of operations; when supplies increase suddenly it often takes a very sharp price drop to get all the meat That's just what happened this time.

The high hog-corn ratio last year signaled plentiful pork—and low prices—now. What will happen to supplies from here on now that the ratio is

down?

The earliest that the current low prices can start to shrink the level of hog production is in this year's fall crop—which will not be coming to market until the spring and summer of 1956. Normally a hog-corn ratio as low as the current one would be an almost sure sign of lower production. But the experts feel that the fall crop still might show a slight increase for two reasons:

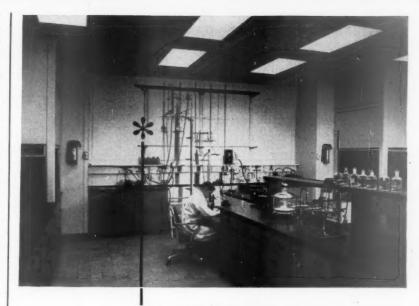
• Prices are expected to strengthen before long. Seasonal influences—the end of Lent and traditionally tighter pork supplies in the summer—and depletion of this year's carry-over crop of pigs are counted on to bolster sagging prices. And prices will move up into closer relation with supplies as the marketing system gets over the initial jolt of larger supplies and adjusts itself to working at a higher level.

• Farmers, each year, have some element of choice on what to do with their corn. They can feed it to livestock and send it to market on the hoof; they can sell it in limited quantities; or they can fall back on government price support loans. The third choice is the one the farmers usually elect when they are stuck with a surplus. But to get government loans, they have to comply with acreage allotments.

Last year only 40% of the commercial corn farmers complied. With hog prices high, most of them produced all the corn they could and fed it to livestock. This year, with corn allotments a little higher and hog prices a lot lower, more farmers may be tempted to comply with the allotments.

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But those who don't—and chances are these farmers still will make up a large part of the total—may well find that the most profitable thing they can do with their corn is to raise more hogs to eat it.



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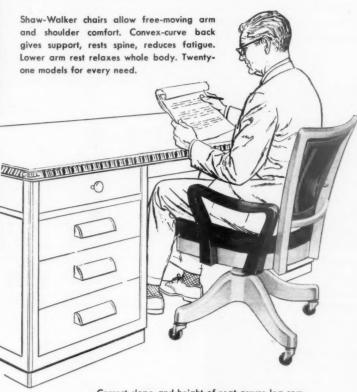
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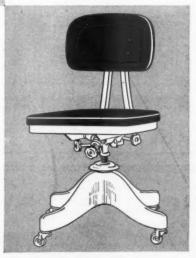
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On the Schedule: Laws that Could

For the state lawmakers of the U.S., the odd-numbered years are the busy ones. The chart above shows that, even for an odd year, 1955 is particularly busy.

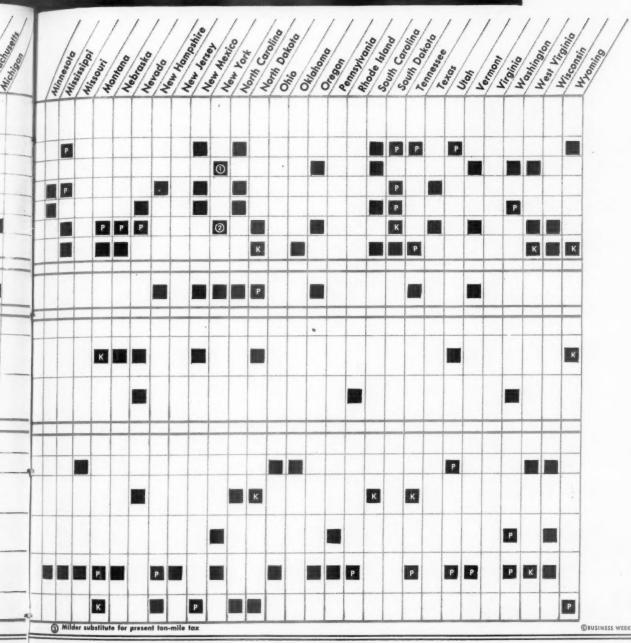
Only 10 states indulge in the luxury of calling their legislatures together

every year. Of the rest, four meet in the even-numbered years; the other 34 all convene in the odd ones.

This year, in addition to the bustle of 44 regular sessions, two states that normally wouldn't meet have already held special sessions. Only Florida of

all the regulars has not yet called its lawmakers to the capital, and it is slated to do it next month. Thus 46 out of the 48 states have either met, or will meet, before the year is out. Only Kentucky and Virginia are slated to stay on the sidelines.

on Where It Stands



Mean a Lot

Last week Business Week set about analyzing the piles of reports on legislation affecting business that have been pouring in from state capitals over the past few months. As usual at this stage—most legislatures are either at the halfway or three-quarter mark in their ses-

sions—it found relatively few bills disposed of, and literally thousands waiting.

Even so, many measures important to business have already been enacted, and others seem sure to be, if only in the frantic hours that habitually mark legislative closing days.

Here, briefly, is what has been proposed and done so far to and for busiTaxes. The mounting pressures for more schools, highways, and other governmental services have far outweighed any sentiment for retrenchment. Spending is going up in the states, and taxes are going up to meet it. Mississippi, South Dakota, and Tennessee have already put through hikes in their general sales tax (South Dakota to help meet a veterans bonus), and Utah has extended its 2% levy to beer and ciga-



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cettes. Income tax increases have been O.K.'d in Idaho, and are pending in eight other states. Three states have raised eigarette taxes, three liquor taxes, and four have hiked gasoline levies.

Labor. Utah has become the 18th state to enact a "right to work" law, which bars all forms of compulsory unionism. In the first two months of this year's sessions, at least eight states raised or extended unemployment compensation benefits, bringing them at least part way into line with the Administration's jobless pay program (BW-Mar.5'55.p123). Since then another four have passed bills, with only West Virginia killing a hike to date.

West Virginia killing a hike to date. Highways. Alabama has set up a new State Highway Corp., with power to issue bonds up to \$50-million. Georgia has put through a Rural Roads Authority, empowered to issue revenue bonds up to \$100-million. North Dakota O.K.'d a \$54-million roads program that will go to voters this fall.

Marketing. On the marketing front, the main activity has centered around bills to curb the use of trading stamps or other premiums. Bills have been proposed in 11 states, with the only disposition so far being kills in Montana and Wyoming.

Industrial 'development. Oklahoma has set up a new Dept. of Commerce and a 23-member Economic Development Commission. A bill in Tennessee would allow municipalities to issue revenue bonds to build plants for lease to private industry; Iowa's Senate passed a similar bill and sent it to the House.

No quick rundown of the many bills before the legislatures can be expected to give much insight into the political maneuvering that has been going on in the sessions so far. Thus business week in making its survey asked its correspondents in two states—Ohio and Texas—to take an especially careful look at the infighting over the various issues. This is what they found:



FRANK LAUSCHE, Democratic governor, and his GOP legislature face . . .

In Ohio: The Old Farm-City Split

The 1955 session of the Ohio legislature is following closely the pattern of Ohio sessions for the past 20 years—a tug of war between the city and rural areas. Apart from this, since the state is conspicuous for electing a Republican legislature along with a Democratic governor, there is a battle between the lawmakers and the governor's office.

Both the Ohio House and the Senate are overwhelmingly GOP. But, except for Cincinnati, Columbus, and one or two other cities in the state,

the Republicans come from areas where the farmer is king. The farmers instinctively say "No" to pleas for more state money for the cities. And this year, on this issue at least, the farmers have the backing of Gov. Frank Lausche.

• Maneuvers—Lausche is a Democrat who has won the top state office five times, reputedly with as many Republican votes as Democratic. It is no secret that the Democratic city machines are against him, and he, in turn, gives little cooperation to the city chieftains.

When he was inaugurated for his

Whatever you ship by box car, send it

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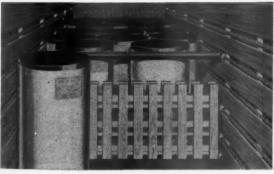
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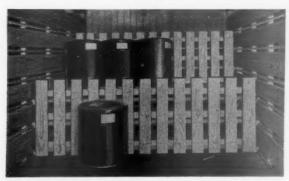
LUBRICANTS ARE LOCKED IN SNUGLY with Evans DF equipment that's part of the car . . . you pay for no costly, makeshift dunnage. DF cross bars take up all slack, wipe out damage and time-wasting damage claims. One 50½ ft. box car takes up to 85,000 lbs. or more of oil in large drums.



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- You reduce unloading time and cost
- 7. You eliminate the expense of car cleaning
- 8. You build solid good will because shipments reach customers in factory-fresh condition

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present, unprecedented fifth tem, Lausche let it be known that he wouldn't seek the office again. That has further complicated the legislative picture. There has been no end of maneuvering among bigwigs of both parties, each of whom sees himself as excellent material for the governorship. And this maneuvering has been reflected in the issues before the session.

• Budget Trouble—In the 11 weeks that the 101st General Assembly has been meeting, it has produced practically nothing in the way of legislation. Its record to date amounts to passage of three or four minor bills.

Part of the holdup is due to the legislature's attempts to fit Lausche's budget to anticipated revenues. The governor called for \$731,899,613, about \$10-million more than the expected intake. But both Lausche and the legislature are solemnly on record as opposing any new or increased taxes.

Lausche's stand now is that the money should come from the state's surplus fund, which totals about \$50-million. Up to now, the fund has been earmarked for the building program, and Lausche himself pleaded eloquently two years ago that the kitty should be used only for capital improvements. Some of the lawmaken still feel that way.

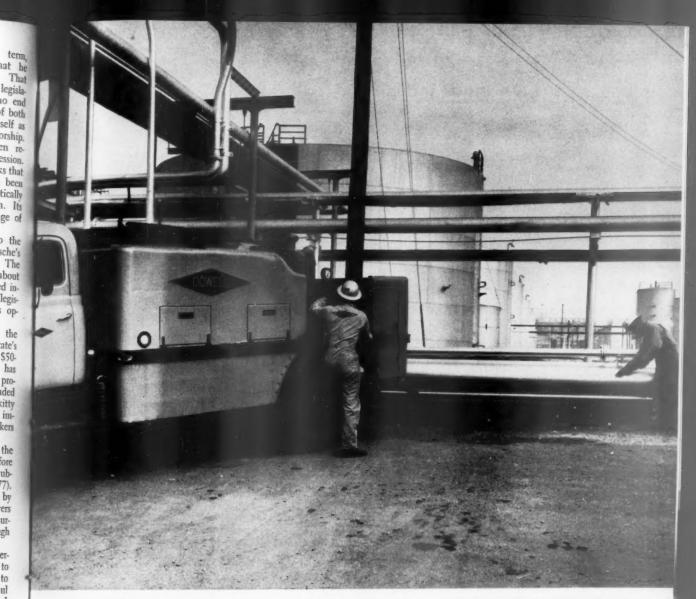
• Bone of Contention—Probably the best known piece of legislation before the Ohio session this year is the "rubber railway" bill (BW—Jan.22'55,p77). At the moment, its life is hanging by the slimmest of threads, and observers give it practically no chance of surviving its third attempt to get through the legislature.

As it stands now, the bill would permit Riverlake Conveyor Belt, Inc., to condemn land for a right-of-way to build a 100-mi. conveyor belt to haul coal and iron ore between Cleveland and East Liverpool on the Ohio River.

Last week, the House Commerce & Transportation Committee, by a 9-to-9 tie vote, failed by one vote to recommend the bill out for passage. In effect, that killed it. But upon reconsideration, the committee voted down by 9-to-8 a motion to finish it off once and for all. Thus the bill remains pending in committee.

The conveyor belt is the brainchild of H. B. Stewart, Jr., president of the Akron, Canton & Youngstown RR and also head of Riverlake Conveyor. Its backers include the big Akron rubber companies; Pittsburgh Consolidation Coal Co.; several steel companies such as American Bridge Div. of U. S. Steel, Youngstown Sheet & Tube Co., Republic Steel Corp.; General Electric Co., Westinghouse Electric Corp., and some of the utility companies; and officials of the cities along its route.

· Opposition-Lined up against it are



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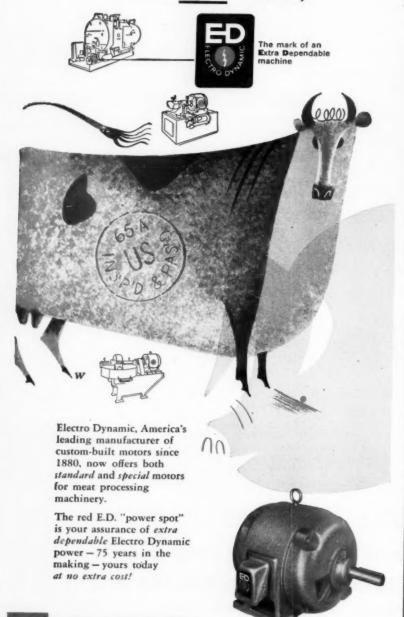
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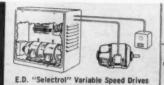
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all the other railroads operating in Ohio. the southern Ohio coal producers, M. A. Hanna Co., the railway brotherhoods, and public officials from various corners of the state who feel their sections will be hurt by the belt.

In making its third try at the legislature, the conveyor company shifted its political strategy this time. The bill was introduced in both houses. But efforts were concentrated in the House of Representatives, where Riverlake could count friends on the Commerce & Transportation Committee, instead of in the Senate where it made its push on the previous two tries.

· Field Lobbies-Actually, however, the fight was fought, and won or lost, before the bill ever got to committee. Right after last fall's election, Riverlake sent out two field men all over the state to try to convince both old and new members of the assembly of the merits

The railroads counterattacked with their own campaign. They enlisted the help of attorneys who represented them on a retainer basis in practically every county in the state. They also set up committees of their employees in the railroad centers, lined up help from the brotherhoods and the city fathers of railroad towns, and pushed their ideas in Columbus through the Ohio Railroad Assn. and a special transportation committee set up to fight River-

· Suite Talk-Both sides bottonholed legislators, wined and dined them to the tune of their sales talk. The railroads put out a special film on the evils of belt conveyors. Riverlake's Stewart turned to weekly letters to the lawmakers, in which he attacked the railroads' arguments and outlined River-

lake's point of view.

When the session opened in January, the railroads took suites in both the Neil House and the Deshler Hilton, the two leading hotels in Columbus. The suites have been open to lawmakers practically around the clock with free food, free beer, and a poker game available until the small hours of morning. The host at one of the suites is a former speaker of the Ohio

Riverlake set up a hospitality suite, too. But it took only one-in the Deshler Hilton-and it serves only free drinks. Window Dressing—Formal hearings

on the belt bill dragged on before the House Commerce & Transportation Committee for several weeks. In large part, though, they were simply window dressing. Many of the legislators had already made up their minds. By the time the bill came up for a committee vote, sentiment was practically evenly divided in the 19-member group. The key man turned out to be Ed Wallace, Democratic representative from



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Plumbers Woodwork increases paint mileage 94% with new DeVilbiss paint heater



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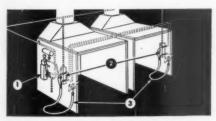
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MAKING WORL KINGS OF CRESTERS ... MAKING CRESTERS OF MINE

Circleville, a small city about 25 mi. south of Columbus.

Wallace had once favored the conveyor belt. But the railroads helped Circleville get a new industry and after it they started to put on pressure. When the vote came on sending the bill to the floor, Wallace switched his vote to "no," which made the tie (one member was absent). Then he left the room. If he hadn't, the second vote—to kill—presumably would have resulted in a tie, too.

• Second Line—Besides the conveyor fight, the railroads are lined up as the epponents in a second legislative battle—the move to repeal Ohio's axle-mile tax on trucks (BW—Jan.29'55,p76). Here, too, they seem to have the upper hand.

Gov. Lausche stands firmly opposed to repeal. And since it was the Republicans who pushed the measure through the previous session, the present session is inclined to drag its feet on the repealer. The bill is in committee now, with little chance of its coming to a vote. Meanwhile, the Ohio Trucking Assn., sponsor of the bill, has made publicity capital out of a study on truck taxation that it hired Battelle Institute to make.

• Right to Work—Whatever lobbying is being done for or against the proposed "right-to-work" laws to outlaw the union shop has been on the quiet side. The bill was introduced by State Sen. Robert A. Pollock, a Canton Republican with a long record of antilabor legislation. So far, the biggest public outcry against it has come from religious groups. The measure is figured to have a less-than-even chance of getting through the legislature.

• Pending—Not in the open yet, but almost sure to break into a dog fight, is a CIO-sponsored measure to increase unemployment compensation, lengthen its time limit, and ease qualifications. The union gets credit with having pulled a fast one here. CIO slipped it in as an initiated bill, submitted to the legislature by petition. If the legislature fails to pass it, or changes it to the dissatisfaction of its sponsors, CIO can put it on the ballot at the next election by getting the same number of signers it had when it submitted it to the legislature.

At the moment, there is some feeling that the legislature may let the bill die in committee as a matter of strategy. This would force CIO either to forget it or submit it to the people.



SCANDALS have been keeping legislators busy in the capitol at Austin.

In Texas: Probes Outshine Bills

At the halfway mark of a session scheduled to run four months, the Texas legislature has taken final action on only two general measures. The spotlight so far has been on investigation—not legislation.

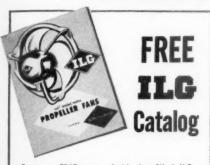
Both the House and the Senate have

special investigating committees digging into a scandal involving the state's \$100-million loan program to enable veterans to buy farms.

Youthful Gov. Allan Shivers is a member of the Veterans Land Board, which administers the program, and the 医短星

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scandal has raised serious doubts whether he will seek the top state office again.

• Land for GIs—The land program was designed to provide ex-servicemen with state land under easy terms—40-year mortgages, 2½% interest, cheap sale prices. The charges are that there was favoritism in making loans, and that promoters made profit killings in selling land to veterans in groups. So far, several indictments have been returned, two of them against Bascom Giles, former commissioner of the General Land Office. Giles sponsored the GI plan originally and supervised it until he decided on Jan. 1 not to serve another term.

The scandal has not produced any charges against Shivers personally, and there are many who feel that he was unaware of what was going on. Nevertheless, some of the dirt has rubbed off on him. He suffered a similarly indirect griming from an insurance scandal last year, so some Texas political writers figure this is the end of the line for him in Austin. Shivers is now serving an unprecedented third two-year term, and he filled out most of another unexpired term before he was elected on his own.

• Insurance—Partly as the result of the earlier insurance scandal, one of the session's hottest fights this year is over insurance regulation. The failure of many Texas companies, almost all in the fire and casualty field, has brought several bills aimed at strengthening insurance laws.

Texas now has no regulation of the sale of stock in insurance companies. The House has passed a bill, now in the Senate, to require registration of insurance securities on a "full disclosure" basis. This proposal won out in the House over a rival plan to put insurance stocks under the supervision of the Texas Securities Commissioner, who would apply to them the "fair, just and equitable" standard governing corporation stock generally.

The financing of insurance companies is also involved in a separate battle over the move to pass a new securities law for the state. Among other things, the new law would bring a group of trust companies, now organized under section 1303-B of the present securities law, under the thumb of the Securities Commissioner. A court last year ruled that the present law didn't allow regulation of the trust companies, even though they were selling stock to the public at \$10 a share for which the organizers had paid only 10¢ a short while before. The contention is that most of these 1303-B trust companies have invested their funds in insurance or loan companies.

The new securities act has now passed the Senate, but seems certain

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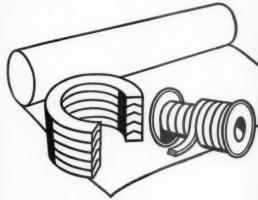
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to run into a terrific fight in the House.

The biggest opposition to stricter laws for insurance companies comes from operators of small firms. They maintain that the reforms are being sponsored by the bigger companies, and that their real intent is to reduce competition. So far, one of the bills has passed the Senate and gone to the House. But in a letter to the Dallas Morning News, T. R. Mansfield, legislative chairman of the Texas Insurance Advisory Assn., said that "after appearing before the insurance committees of both branches of the legislature, I am getting discouraged over the possibility of any worthwhile legislation being put on the statute books."

• Tax Fight—For Texas' powerful oil and gas industry, the main target of attack this session is a bill for a state tax on natural gas, crude oil, and any other natural resource the legislature might select. Introduced by Rep. Robert Patten of Jasper, the bill is in the form of a proposed constitutional amendment that would go to the state's voters in the November, 1956, elections. At this point, it's not given

much of a chance.

Patten's proposal calls for a tax of not less than \$\frac{1}{2}\epsilon\$ nor more than \$1\epsilon\$ on each 1,000 ft. of natural gas produced in the state, a tax of not less than \$1\epsilon\$ nor more than \$5\epsilon\$ on each barrel of crude oil, and a tax on any other resource the legislature might pick. The money would go to the permanent school fund until \$1-billion is raised. Patten figures that on last year's production of crude oil, a \$5\epsilon\$ tax would have raised \$67-million.

The oil industry takes the stand that the bill is "extremely shortsighted," and that in a highly competitive interstate situation "it could provide the straw that broke the camel's back." Gov. Shivers, who is generally regarded as a friend of big oil, is opposed to the

bill

• Accomplishments—By and large, the present session of the legislature is considered a relatively quiet one in comparison to some of the fireworks that have come off in Austin in the past. The two general measures already passed have hardly been earth-shaking. One gave the lawmakers a pay hike; the other authorized banks to operate on a five-day week if they wanted.

This year Shivers asked the legislature to expand government services by about \$30-million a year plus \$45-million more a year for highway construction. Committees in both the House and Senate have already approved bills to increase spending for 1955-1956 at a rate that calls for about \$30-million a year more in taxes.

To meet the bill of his extra spending, Shivers wants to hike the state gasoline tax from 4¢ to 6¢ a gal. This

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A few highlights from the current Annual Report to Employees (*Bethlehem Review*, March, 1955 issue) are summarized here. If you would like to receive a free copy please write to Publications Dept., Bethlehem Steel Company, Bethlehem, Pa.

. . . and foreshadowing More Progress to Come!

In his letter to employees contained in the report E. G. Grace, chairman of Bethlehem Steel, described the objectives of the company's recently announced new expansion program to cost \$100,000,000. This, together with \$93,000,000 authorized for completing new construction as of December 31, 1954, will bring Bethlehem's total

outlay for expansion and modernization since the end of World War II to over \$1,000,000,000.

"We believe that the country will continue to grow," Mr. Grace said, "and that the national output of goods and services will continue to grow also. It is our intention to keep pace with that growth."

Progress in Steel Capacity

During 1954 Bethlehem's annual steelmaking capacity rose to 19,100,000 tons . . . almost 50 per cent higher than at the end of World War II . . Sparrows Point, largest steel plant on eastern seaboard, set all-time record, making 5,562,056 ingot tons in year.

-in Raw Materials

New iron ore mine at Marmora, Canada, near production . . . Erie Mining taconite plant in Minnessota 'taking shape . . . Development continuing on the new Grace Mine in Pennsylvania, and other raw material projects, in Chile, Venezuela and Brazil.

-in Shipbuilding

A year of below-normal shipbuilding, but Bethlehem delivered 23 ships and 86 non-propelled craft...repaired or converted 4021 vessels...Ships built included tanker World Glory, largest cargo vessel ever built in Western Hemisphere.

-in Steel Construction

Steel fabricated for many sizable projects, such as New York Coliseum... Newark Bay Bridge... Detroit Administration Building for Ford Motor Company... International Airport, San Francisco.

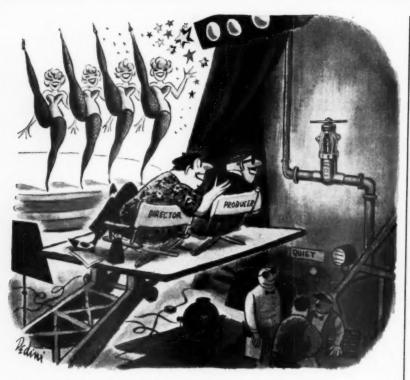
—in Safety

33 Bethlehem steel plants, ship-yards, fabricating works, mines and quarries received 49 awards from the National Safety Council.... Bethlehem, Johnstown, Sparrows Point and Lackawanna plants won first four places in safety among large steel plants... Honor award for Johnstown plant, whose 15,000 employees worked four months without a disabling injury.

-in Social Welfare

Improved social insurance benefits under Bethlehem Program, including \$1,000 boost in each employee's life insurance... Benefits also include payments for illness or accident, and hospital and surgical benefits.





"You see Powell Valves everywhere! Engineers have ...

... three good reasons for specifying Powell Valves. They're dependable ... economical . . . and engineers know Powell has the COMPLETE quality line of valves."

When you think of valves always think of Powell...

FOR POWELL VALVES can supply just the valve you need. Powell probably makes more kinds of valves and has solved more valve problems than any other organization in the world.

Available through distributors in principal cities. Made in 1/8" to 30" and for 125 pounds to 2500 pounds W.S.P. Bronze, iron, steel and corrosion resistant metals and alloys. On problems, write direct to The Wm. Powell Company, Cincinnati 22, Ohio.



THE COMPLETE QUALITY LINE

Powell Valves

would cover the \$45-million a year for highways and add another \$15-million a year for schools. Shivers also recommended boosting the cigarette tax from 4¢ to 5¢ a pack, and doubling the present tuition at state colleges.

• Governor's Plan—All of Shivers' proposals are now in the legislative mill, but some are strongly opposed. A campaign has already built up against the gasoline tax hike, and a raft of substitutes has been tossed in. Among them are measures for a higher beer tax, a levy of 1¢ a gal. on gasoline and other fuels refined in Texas, a ton-mile tax on trucks, a "business activities" tax, and levies on natural gas, cigars, and rental gross receipts.

The refinery tax, estimated to raise \$160-million a year, would replace all present retail taxes on gasoline. This would mean Texans would get a 3¢ per gal. tax cut. Similar moves to get a refinery tax have failed in the past, though. The argument has always been that one would drive the refineries from the state.

At the halfway point, there is no telling what taxes will go through, although it's safe to assume there will be hikes somewhere. In any event, a rush of work lies ahead of the legislature if it is to wind up with any solid accomplishments. There have already been loud complaints that the land scandals have dominated what should be a session of lawmaking. The feeling is that the legislators have been repending too much time flushing out crooks when they should have been tending to their legislative knitting.

REGIONS BRIEFS

A regional power corporation for the Pacific Northwest has been proposed again, this time in a new draft of a bill for Congress drawn up by the Northwest Public Power Assn. The new federal corporation would absorb Bonneville Power Administration, would have authority to finance new power generation, and would handle water development in four states—Oregon, Washington, Idaho, Montana.

An off-street parking program—to cost \$5-million—has finally been O.K.'d by the Boston City Council after two months of wrangling over sites. The money, which will be borrowed, may be supplemented by \$10-million more, if the state legislature approves an authorization bill now pending.

Oklahoma's wheat belt is in critical shape, county agents say. Panhandle and northwest counties have already been hit hard by a duster that turned skies a dirty red.

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Beauty matches brawn in wheels by Kelsey-Hayes

Great strength and smooth-rolling performance have been engineered into
wheels of striking beauty. Wherever they're seen—on everything
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cars and sleek, luxury limousines—wheels by Kelsey-Hayes are
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46 smartly-styled models, efficiently designed and sturdily built for a business lifetime of wear

Picture in your own office this smart new Generalaire, finished in Pine Frost Green! Or you can have it in Gray, Suede Brown, Autumn Haze, Glen Green or Manila Tan—with harmonizing Velvoleum or Textolite writing top.

These are the decorator colors in which GF now offers modern metal desks. They bring freshness and new life into any office. They convert drab monotone clerical areas into interesting, inspiring places to work.

As for the GF Generalaire desk itself, it incorporates too many new exclusive

features to name here. But of this you may be sure: It has everything you'd expect in a much costlier desk . . . plus some efficient features you won't find even in far more expensive desks. This metal desk can't split or warp, its drawers will never stick, its solidly-welded joints can't come loose. Year after year, from the day you buy a GF Generalaire, it will be as handsome as it is today. That's real economy!

There's a GF Generalaire for every office job ... 46 models ... and the best way to choose is to see them for your-

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ABOR

UAW: Warming Up for GAW

The auto union is keeping the pot publicly boiling before next week's convention. It's part of strategy.

Other important business is on the agenda for the United Auto Workers (CIO) convention in Cleveland next week, but there isn't any doubt about what will hold the concentrated attention of the 3,000 delegates. It's UAW's campaign for guaranteed pay or employment, due to start officially within the next two weeks.

UAW held exploratory talks last week with General Motors Corp. and Ford Motor Co. officials (BW-Mar.19 '55,p176). Intended principally to set up the schedule for bargaining, the meetings accomplished little if anything beyond that. But the excitement—television and newsreel cameramen and newspaper reporters and photographers were out in droves—was far beyond the normal thing for a relatively unimportant preliminary meeting.

• Keeping It Hot-Although UAW probably wasn't directly responsible for the excitement, it fitted neatly into the union's strategy. So will an equally intense interest in UAW's convention by press, radio, and television. Advance reservations indicate that the meetings in Cleveland will draw one of the biggest press parties ever recorded for a union convention.

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For strategic reasons, UAW is anxious to keep the fires hot under the guarantee pot, and it will see that news is made for the press. Probably not much new will come out, since there is now little more to know about the union's program except its proposed cost. But you can count on UAW to bid for headlines next week with explanations and discussions, and perhaps a few scattered tidbits of new detail.

• Why the Buildup—There are two reasons for UAW's big buildup of its guarantee demand at the convention. One is aimed outward, and one inward:

• The union wants maximum public attention for its demand. It feels that the more the public knows about the demand, the better its chances will be once bargaining starts. It is seeking public support for the idea that a guarantee of work or wages is not more unreasonable than, say, pensions and actually amounts only to an extension of benefits already written into auto contracts.

 At the same time, the union hopes to whip up more militant enthusiasm for the guaranteed wage among auto workers. There are signs that the workers want guarantees but aren't "fighting mad" in support of the UAW demand—to the point of striking, without question, for guaranteed pay or work if GM or Ford should offer a good wage settlement instead.

• Related Issues—Besides the guarantee demand, two allied issues will be major at next week's convention: (1) automation and (2) UAW proposals for a \$25-million strike fund, to be raised by a temporary \$5-a-month increase in the union's present \$2.50-a-month dues.

On both of these matters, opposition to Walter Reuther—centered in the big Ford Local 600, headed by Carl Stellato—may be noted in next week's news.

The Stellato bloc believes that the answer to automation, the automatic or electronic plant, is a shortened work week. Although this has been ruled out as a contract demand this year (BW—Mar.12'55,p130), the Ford bloc will nevertheless make a pitch for shorter hours at the convention.

Similarly, while supporting the big strike fund, the Stellato forces want changes in the international UAW plan. They want no \$25-million limit on the fund, for instance, and they want strike benefits to be paid at a fixed \$25 a week, not on a basis of need.

The administration program will pass, despite the Ford opposition. The Reuther foes in UAW are, so far, little more than a nuisance to the redhead.

• Meany to Speak—As usual at any convention influenced by Reuther's ideas the UAW gathering will produce a batch of resolutions on international affairs, domestic social and economic affairs, and such important labor matters as the imminent AFL-CIO merger.

AFL Pres. George Meany has accepted an invitation to visit UAW for a pep talk on labor unity, but the Meany speech will be closely analyzed by labor and industry observers for a hint of something else—AFL support for the auto union's guarantee demands.

The convention will wind up with the reelection of Reuther, in the normal pattern for UAW over the past eight years. But within the union, and the auto industry, this year's election has a bit more significance than other recent ones. The union executive board appears to be open for the biggest change since Reuther cemented control of UAW in 1947—a year after his election to the presidency, but with an antagonistic board. Five new members appear in prospect for the 20-member board—a fact that assures some lively politicking.

Long Pittsburgh Strike Ends

Last holdouts in department store walkout return . . . Rail and telephone strikes continue to tie up the lines . . . Locomotive workers win 5¢ raise . . . Platers take a pay cut, to cushion employer's strike losses.

Pittsburgh's downtown department store strike ended last week after 15 months when three small unions, holdouts against a settlement since last December, agreed to return to work while further contract talks are held.

Stores resumed deliveries this week, with a back to normal situation expected by the end of the month.

The major union in the strike, the AFL's Teamsters, settled its dispute with the stores about Dec. 1, a year after the strike started on Nov. 27, 1953. The drivers won a wage increase, the stores the right to assign helpers "when needed" on trucks—rather than have two men assigned to every truck,

needed or not-and the right to use parcel post for some deliveries (BW-Dec.4'54,p119). The settlement was expected to bring a quick end to the entire walkout.

Three small unions, locals of AFL's Office Employees, Hotel & Restaurant Workers, and Retail Clerks, continued picketing when settlement talks bogged down. Drivers refused to cross their lines.

Last week, with pressure mounting on them, the three locals agreed to return to work. Stores offered the Hotel & Restaurant Workers a contract, recognizing its right to represent groups of employees. So many office workers



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and clerks have been passing through union picket lines that their unions' bargaining rights in the stores may further complicate contract talks.

Negotiations to end a strike by 10 non-operating rail unions against the Louisville & Nashville RR were stepped up this week as the impact of the train

stoppage spread over a 13-state area. Although about 50% of trains (mostly freights) are reported running, a number of industrial plants and mines have shut down, and others have notified state officials that closings will be necessary in a matter of days if full service isn't resumed.

The strike involves a new health-andwelfare program and a number of other issues pending, according to the unions, since 1953; it involves some 20,000 workers directly (BW-Mar.19'53, p174).

Top union and company officials met with Tennessee's Gov. Frank Clement and a federal mediator last weekend; although the talks failed to narrow the gap between the carrier-unions positions, the parties agreed to take a "working recess" and to meet again this midweek.

CIO's United Steelworkers has ratified a strike settlement with American Locomotive Co. plants in Schenectady, Auburn, and Dunkirk, N. Y., ending a 17-day strike.

The agreement, covering 3,500 employees, boosts pay 5¢ an hour and provides for improved pension and insurance plans, according to the union. The contract is for two years, with a reopening on wages next Mar. 1.

Trouble continued into this week in the Southern Bell Telephone & Telegraph Co. strike, over wages and other economic issues and a company demand for a tight no-strike clause (BW-Mar.19'55,p174). Service is continuing in the nine Southeastern states served by the company, although the Communications Workers of America (CIO) reported 50,000 on strike.

Meanwhile, bargaining continued deadlocked early this week, with tension higher because of the new flare-up.

Two hundred AFL employees of United Platers, Inc., are back on the job in Detroit after a 126-day strike, but-although wages weren't involved in the walkout-they're now getting 10¢ an hour less than before.

The workers, members of Local 1 of

AFL's Metal Polishers, quit last fall over the discharge of a union member. The company, which does job plating and rustproofing, suffered competitively during the long walkout. It made clear to the union that its prospects were

As a result, the union agreed to end its strike and to return to work at a 10% pay cut, to help the company regain its competitive position. The union also accepted a stronger no-strike clause in the new contract, and a clearer definition of management responsibilities and perogatives. The discharged worker did not get his job back.

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LABOR BRIEFS

Tool and die makers who balked in Chicago at a Machinists (AFL) strike assessment, \$5 to \$10 a week, were illegally discharged at union insistence. the National Labor Relations Board has ruled. Five men tendered dues to the union, but were told the money would be applied toward their strike assessment. They later were fired by Peerless Tool & Engineering Co. when the union reported them delinquent in dues-a legal basis for discharge under Taft-Hartley. NLRB ruled that the tender of dues, although the money wasn't accepted as such, gave the men T-H protection. It ordered them reinstated with back pay for time lost.

Negro workers will be hired in the future for Armour & Co.'s offices in Chicago, Armour has advised the United Packinghouse Workers (CIO) by letter. Claiming a victory, UPW has dropped its formal race-bias complaint to the government (BW-Feb.19'55,p172).

Union pressure to force a national contractor to fire two out-of-town employees and give the jobs to local men is illegal, an NLRB trial examiner ruled last week. He ordered a Chicago local of AFL's Sheet Metal Workers to let Gencor Corp., of Canton, Ohio, put two Canton men back on installation jobs in Chicago-and to pay, out of union funds, any wages they lost.

In Canada, the Brotherhood of Teamsters and Amalgamated Meat Cutters (both AFL) are about to launch a major joint organizing campaign aimed primarily at "a great union potential" in British Columbia. . . . The 600,000member Trades & Labor Congress (allied with AFL) and the 400,000member Canadian Congress of Labor (with CIO) expect "eventual unification of all sections of bona-fide labor" in

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...in jobless-pay law of Pennsylvania, other states studied as reserves shrink. Taxes may rise.

An all-time record of \$2-billion was paid out in 1954 under state unemployment compensation programs, yet intensive efforts are being made this year to increase benefits. This focuses attention on UC problems that already mean higher taxes for many employers.

At least 14 states have already made significant changes in their jobless-pay laws this year; bills calling for revisions, mostly to expand coverage and boost benefits, are pending in 30 states.

The campaign for changes is the biggest since the federal-state system began nearly two decades ago (BW—Mar.5'55,p123). And because of the importance of unemployment pay in the coming guaranteed-wage drive (page 107), the state action is attracting unusual attention.

• Pennsylvania Crisis—Unemployment has hit Pennsylvania hard, largely because of its sick coal-mining industry. Jobless-pay funds have been pouring out. As a result, maximum UC benefits may be cut next week from \$30 to \$20 a week, and the tax rate of every business and industrial firm may go up to the maximum 2.7% of payroll. The two moves are mandatory under present state law if reserves fall below a "peril point"—a minimum set in Pennsylvania and many other states where employers are allowed to pay less than the maximum rate if their employment records are good.

The near-crisis on UC was willed to Pennsylvania's new Democratic administration by the Republicans when the state leadership changed hands in January. Trouble had been narrowly averted in December, when the state accelerated the collection of accrued fourth-quarter taxes, before due date, to hold reserves above the minimum. That relieved the crisis temporarily, and got the GOP out of office without a bleminater of the collection of the col

ish on its UC record.

The Democrats moved quickly to amend the Pennsylvania law—and avoid trouble. Proposed changes sailed through the House, where the Democrats have a majority, but were killed in the Senate, where the Republicans retain control. The GOP did not oppose revising the UC law. Both parties agree something should be done, and neither wants to put the automatic maximum tax rate into effect or to cut benefits. The disagreement is over what should be done.

Proposed Changes—The defeated bill

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Telephones: (N. J.) Bigelow 3-7200 (N. Y.) REctor 2-3338 would have raised benefits to \$35 a week, from \$30, and increased the maximum eligibility period from 26 to 30 weeks. This is in line with what is happening nationally. To finance the increased program, employers would have paid an average 1.65% UC tax, as compared with the present 1.2% average (for a range from a minimum of 0.5% to the maximum 2.7%).

The Republicans were willing to support the increased benefits, but they opposed tax changes that would double the present minimum rate for the employers with the best record. They also opposed a number of so-called "fringe benefits" proposed by the Democratsproviding, for instance, compensation for idle periods due to pregnancy, vacation shutdowns, and voluntary "quits" for family reasons and they opposed a less firm Democratic proposal to eliminate the "peril point" clause.

Since the parties agree on the need for barring a "peril point" reduction in benefits, a compromise before Mar. 31 is considered likely in the state. If nothing more, it may keep benefits at the present \$30, instead of dropping to \$520, but still allow the maximum 2.7% tax rate to be put into effect for all employers if reserves go below the "peril point" level.

• In Other States—West Virginia, like Pennsylvania, has been troubled by severe unemployment. Its reserves have slumped from about \$90-million to around \$60-million in 1954, possibly less now. The state also has a "pent point" clause in its law; and when reserves drop below \$50-million, benefits stay the same but employers must all pay a maximum 2.7% rate.

Conscious of that, West Virginia's legislature—which unions consider friendlier than most—recently turned down a labor-backed bill to increase UC benefits from \$50\$ to \$35\$ a week and to make them payable over a longer period. Opponents contended the increase would overstrain the fund.

In other states, many with funds still safely above minimum levels, benefits have gone up and coverage has been extended without changing tax rules. In some states, such as Idaho, laws have been revised in ways favorable to employers. In others, including New Hampshire and Rhode Island, action taken so far works the other way:

• New Hampshire's legislature specified that if the state's UC fund falls below \$20-million (previously it was \$18-million), merit-rating taxes must be "reexamined."

Rhode Island's lawmakers increased the taxable wage from \$3,000 to \$3,600 a year, boosting employer tax costs as much as \$16.20 per employee annually.

New Eye on Welfare Funds

Commerce & Industry Assn. releases its study of administration of employee health and benefit funds. It's the first employer group to make specific recommendations.

Labor, management, and the government seem to agree that employee welfare funds should come under some form and degree of public control. The differences lie in just how this would be achieved.

This was newly evident last week as the Commerce & Industry Assn. of New York, which represents some 3,500 employers, released the results of a yearlong study of jointly administered welfare funds in New York. Unions and state and federal groups had had their say before. The C&IA report was significant as the first by an employer group making specific proposals:

On general principles, the association agreed in the main with labor's earlier findings (BW-Nov.27'54,p153) and with those of House and Senate committees and the New York State Insurance Dept. (BW-Jan.8'55,p52).

On specific points, sharp differences of opinion showed up in the C&IA report—as expected, principally differences from union recommendations.

· Similarities-The employers' associa-

tion agreed with AFL and CIO findings and with the New York report signed by former Commissioner Alfred J. Bohlinger of the State Insurance Dept. that, by and large, most welfare funds are administered honestly. But along with the others, it noted that abuses exist that must be corrected, and that safeguards are needed to bar further abuses.

The C&IA report agreed, too, that employer negligence is often a factor where abuses exist—a point strongly emphasized in the earlier reports, which called on employers to assume greater responsibility in joint funds.

It also agreed with labor and federal and state recommendations that detailed annual reports should be made by fund trustees and should be available to employers, unions, and covered workers—and that an annual "outside" audit would be highly desirable.

• Differences—At the same time, the C&IA report and the others before it showed some interesting differences:

· Unions would bar mandatory

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commissions where a broker performs no real service in connection with welfare funds; the Bohlinger report and that by C&IA favor keeping the commissions, but would guard against abuses by a "code of fair practices" supervised by the State Insurance Dept.

 Bohlinger and union reports have opposed payments to any union or company official for trustee services;
 C&IA sees nothing wrong with payments for services performed.

• Unions want a minimum of governmental control and insist that labor can police welfare funds; C&IA and Bohlinger reports recommend state supervision over welfare funds, with enforceable rules to safeguard the interests of those covered by the funds. C&IA also recommends tightening Taft-Hartley welfare-fund requirements if state regulation proves ineffective after a "reasonable" trial.
• New York Bill—C&IA's release of its

• New York Bill—C&IA's release of its study and recommendations coincided with the introduction of a welfarefund bill in New York's legislature. It would require employee funds to be listed with the state insurance department. A C&IA spokesman commented that such a proposal "really doesn't do anything." A more comprehensive bill embodying the proposals in the Bohlinger report was subsequently introduced.

At least four other states also have bills pending (BW-Mar.5'55,p123).

• Hearings-Meanwhile, hearings on pension and welfare fund irregularities

have been scheduled this month by a

subcommittee of the Senate Labor Committee.

CIO Glass Workers Seek Guaranteed Pay

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Two major glass companies—Libbey-Owens-Ford Glass Co. and Pittsburgh Plate Glass Co.—face bargaining next month on demands for "automotive type" guaranteed-employment plans covering 25,000 employees. The CIO's Glass, Ceramic & Silica Sand Workers says it will seek this brand of GAW because of the "very close ties" between the companies and the auto industry.

• No "Pie in the Sky"—The Glass Workers' president, Burl Phares of Columbus, Ohio, took the wraps off the union demand at a series of local meetings in West Virginia, Ohio, Oklahoma, Louisiana, and Missouri. What the union will ask, he assured rank-and-filers, is feasible and possible without bankrupting the glass companies. "And it isn't 'pie in the sky,'" he added.

The Glass Workers' guaranteed wage or guaranteed employment plan is patterned closely on the United Auto Workers' demand (page 107). Each

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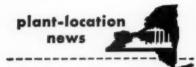
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Ornald B. Otterany
Director, Industrial Location Service

Libbey-Owens-Ford or Pittsburgh Plate "seniority employee" would be guaranteed one week's work or one week's pay for every two weeks worked, up to a maximum 52-week guarantee. During layoffs, employers could deduct, from employees' guaranteed pay, whatever money the employees might get from state unemployment compensation programs.

· Assist From UAW-The Glass Work-

ers' officers are getting all-out technical aid in their guaranteed wage drive from the powerful UAW. Members attending the local union meetings received question-and-answer pamphlets on the coming demand that followed a similar UAW publication almost word for word. They saw a UAW movie explaining the guaranteed wage plan and the walls of their union halls were plastered with UAW posters.

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Union Mergers: A Wave

Teamsters are likely foster father for the dock union. It's the trickiest of labor's current flock of merger negotiations—now gathering momentum.

The International Longshoremen's Assn., ousted from the AFL in 1953, may return to the Federation by the back door—through affiliation with Dave Beck's expansion-minded Brotherhood of Teamsters. AFL officials are opposed to the Teamsters-ILA deal, but so far they are being cautiously quiet about it.

This amalgamation is just one of a number of "marriages of convenience" now being celebrated or discussed. Beck has feelers out to several other unions. One of them reportedly is the International Longshoremen's & Warehousemen's Union, but such a merger would depend on ILWU's willingness to dump Harry Bridges.

Other major mergers in the negotia-

tion stage include:

• International Harvester locals of the leftwing Farm Equipment Workers with the CIO's United Auto Workers. Plans for this move are far advanced. It would add 17,000 members to UAW's 125,000 farm-equipment workers and give the auto union jurisdiction in 20 I-H plants. The I-H locals are now affiliated with the United Electrical Workers—which is also in the market for a new place in "the merged labor movement," and which reports that it is "in touch with other unions."

• The independent, 8,000-member Macy's department store union with the CIO's Retail, Wholesale & Department Store Union. The CIO union, in turn has been approached by Beck's Teamsters with a merger proposal, but RWDSU spokesmen say there is "no immediate or foreseeable prospect" of a Teamsters-RWDSU amalgamation. At the same time, they say that if they eventually find a merger expedient, it will almost certainly be with the Teamsters—the only union that could take in their entire membership.

 CIO's Utility Workers Union with AFL's International Brotherhood of Electrical Workers. They will discuss a merger in formal talks beginning in about a month. Preliminary discussions have already been held by telephone. The two unions, which have a strong unity of interests, talked amalgamation two years ago, but got nowhere.

• AFL's International Brotherhood of Paper Makers with CIO's United Papermakers of America. In New York last week, they discussed "the problems to be solved in achieving unity in the paper industry." AFL and CIO glassworkers' unions will soon consider merging (BW-Mar.12'55,p134), and the CIO's new Oil, Chemical & Atomic Workers Union hopes for an eventual merger with the AFL's International Chemical Workers (BW-Mar.12'55,p135).

• Various leftwing unions, wary of the Communist Control Law (BW-Feb.12'55,p144), are scouting about for protective havens in AFL or ClO unions—similar to that found by the Fur & Leather Workers in the AFL's Amalgamated Meat Cutters (BW-Mar.5'55,p124). Sen. John M. Butler (R., Md.), who sponsored the federal law, last week urged the Attorney General to "immediately look into the obvious attempt of Communist-tainted unions to don the cloak of respectability," and called for action against "this typically Communist scheme."
• Background—What's behind the

present lively interest in mergers? The chief reason is the prospect of this fall's combination of the AFL and the CIO into a new and powerful federation. Small unions are banding together for increased strength in the new labor movement, or are joining stronger unions as a defense against unfavorable merger pressures that might be put on them later.

Leftwing independents want (1) a safe haven, as in the case of the Fur & Leather Workers, or (2) stronger bargaining representation, apparently the case in the Farm Equipment Workers locals' efforts to affiliate with UAW.

technical Some independents not tainted by leftist influences are interested in proive from tection against raiding, which is exattend. pected to increase sharply once the received AFL and the CIO combine. Others, on the like the traditionally independent raila simiroad brotherhoods, look to the greater vord for power and prestige they can have through affiliation with the 15-million ovie exolan and member AFL-CIO (BW-Mar.12'55, ls were

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• The Orphan—The position of the International Longshoremen's Assn. is different. Ousted from the AFL on charges of corruption and racketeering, it is—at least for a year or so—secure in its New York stronghold against raids by AFL's new longshore union or anyone else. It has new contracts and so doesn't need bargaining support. What it seems to want is respectability and an end to its orphanhood.

ILA's first choice would be a new charter in the AFL. Only two weeks ago it was working toward that, and negotiating at the same time with Beck's Teamsters for affiliation as a semi-autonomous marine division.

Beck, too, initially favored giving the ILA a new charter. One of the key men in the 1953 drive to clean up the dock union, he called on the AFL's executive council in January to readmit the ILA. He admitted a selfish interest on the part of the Teamsters: "cordial relations" are essential between truckers and longshoremen, he said, because they work so closely together on the waterfront. He claimed the ouster of the ILA and its success in retaining jurisdictional rights on most docks has "severely handicapped" the Teamsters' moves to unionize truck drivers and warehousemen in nonunion Southern ports.

• Slammed—But the AFL closed its front door tight against the ILA and once AFL leaders showed their determination to keep the ILA out until it proves it has cleaned house completely, the Teamsters-ILA negotiations began scriously.

There is no question that the Teamsters' leadership wants the ILA—and, on the West Coast, ILWU, too. Beck not long ago pointed out that long-shoremen in many places are "doing a lot of work belonging to teamsters," and that in Great Britain and other countries dock workers and truck drivers belong to the same union. He named a five-man committee of vice-presidents to study the problems involved in taking in the ILA, and to report back with recommendations. It was only a formality.

Interest within the ILA is not so high. Apparently there's a feeling that despite Teamsters assurances of self-control, once the merger is completed (after a ratifying vote by ILA's 60,000 Atlantic and Gulf membership) Team-

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sters' pressure would be applied on the ILA, and new leaders and policies might result. But, with no place else to go, the ILA appears definitely headed into the Teamsters.

However, there are still problems. Teamsters and ILA negotiators met this week in Washington, and afterward reported "a satisfactory meeting." Three things seemed to disturb the Teamsters after the conference: (1) ILA wants to be free from the "disciplines" of the Teamsters constitution if it merges; (2) it wants the Teamsters to assume up to \$500,000 indebtedness to John L. Lewis—United Mine Workers money loaned for the ILA fight on AFL; and (3) last weekend ILA named "Tough Tony" Anastasia as a vice-president, although he is one of the former ILA leaders most bitterly opposed by AFL.

• Meaning—What will this mean within AFL ranks and on the troubled New York waterfront?

The AFL is already concerned with the defiance of its Amalgamated Meat Cutters to Federation executive council policy against admitting the leftist Fur & Leather Workers (Mar.5'55,p124). The matter is on the council's agenda for May. Now, with AFL policy opposed to readmitting the ILA in any way, any Teamsters action in taking in the dock union would be deemed new defiance.

Complicating the situation, CIO's Pres. Walter Reuther has complained about the presence of "racketeers" in some AFL unions. AFL's Pres. George Meany assured Reuther that the Federation would take a tough policy against any corrupt and racketeering elements in its ranks. A Teamsters-ILA deal would put Meany on the spot.

• Beck's Deal—Beck hopes a deal can be worked out with the AFL, whereby ILA would be admitted to the Teamsters and the AFL would be assured that the Teamsters would crack down on any remaining traces of corruption within the dock union. If a deal can't be made, the Teamsters won't worry too much about it; the obvious thinking is that the AFL will hardly kick out its largest, 1.3-million member affiliate for falling from grace over the ILA.

The New York Waterfront Commis-

The New York Waterfront Commission was greatly disturbed at first over announcements that the ILA was moving toward affiliation with the Teamsters—and therefore toward increased power and more invulnerability to cleanup pressures. Later reflection convinced the commission that more might be gained than lost by a Teamster-ILA amalgamation—provided the Teamsters are willing to cooperate with official efforts to get regular dock employment for honest longshoremen and to get rid of criminals, hoodlums, and casual laborers. Now the commission is taking a "wait and see" attitude.

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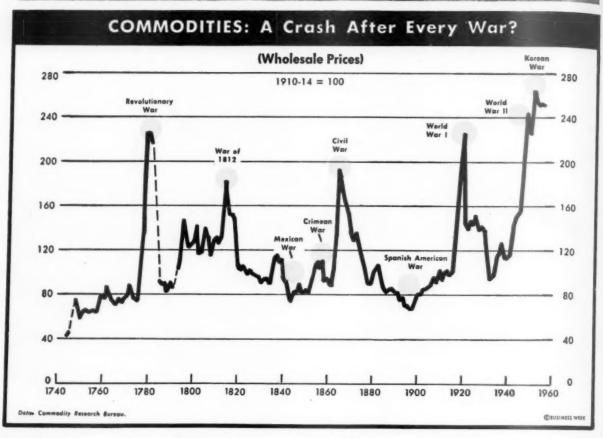


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It's Long Delayed This Time

As the chart above shows, commodity prices traditionally plunge after every major war—up to now, at least.

There's no mystery about what happens: Prices go up when military consumption bites into available supplies of raw materials; production of commodities is stepped up to meet wartime needs; everything goes crash when the war ends and consumption returns to normal peacetime levels.

It hasn't been quite so simple since World War II. In fact, some traders are still waiting for the other shoe to drop. The commodity index had just begun to dip after the big war when the Korea fracas came along to jack it to a new peak. Now, 10 years have passed since the world war, and the commodity index is still steady.

• On the Street—All this has a more than academic interest to the brokers on Wall Street. They say that a sharp rise in stock prices against a background of decline in commodity prices has more than once produced a collapse in share values. Some commodity

traders have been predicting that the "long overdue" postwar crash in commodities may not be far away.

The Commodity Research Bureau of New York looks at the stock and commodity indexes and says: "The patterns seem to be similar to those of 1928-29, although there is nothing to indicate that subsequent trends will be the same as those that followed 1929." The bureau hastens to add: "Basic economic conditions today are different in most respects than they were at that time."

• Parallel—On the surface, the resemblance to 1928-29 can be regarded as alarming. After World War I, as the chart shows, commodity prices hit a high in May, 1920, then began sliding. The worst of the crash was over by 1923, but all through the stock market boom of the late 1920s, commodities as a group continued to trend lower. They didn't reach bottom until the early 1930s; by that time, the bottom had dropped out of the stock market.

From 1941 to the Korean high in

early 1951, the commodity index rose 105.1%—it more than doubled. Since the peak four years ago, the index has declined only 5.2%, but some chart readers find this significant.

• Inside the Index—For one thing, the index is massive, slow-moving. It is a catch-all of nearly 2,000 wholesale prices, compiled by the Labor Dept. Within this broad group, there has been a continual seething among prices of individual commodities and various groups. So far, the pluses achieved by industrial commodities have nearly balanced the minuses suffered by farm commodities, but this equilibrium could change.

On the up side are the nonferrous metals. Electrolytic copper sells now for 33¢ a lb., compared with 30¢ less than two months ago, and a further rise is being predicted in view of prices in London: 45¢ bid, 45½¢ asked. Lead is priced at 15¢ a lb., compared with 13¢ a year ago; zinc is 11½¢, compared with 9½¢. Steel scrap is rising as fast as the nonferrous metals; at Pittsburgh,

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No. 1 bundles are bringing \$38 a ton, in contrast to \$25 a year ago.

On the down side are the foodstuffs. Com is on the skids, selling now in cash markets at 13% below Jan. 1, nearby futures about 17% below early January, distant contracts down more than 18%. Wheat for spot delivery has dropped 4½% since Jan. 1, and distant futures are down more than 10%.

• Total Effect—Commodity men say it will be hard for Washington to take action that will keep farm commodities from sagging still further. Price support programs are no longer effective in reducing the glut, they say. A drought or other crop disaster might do it, they add, or some entirely new government control.

At the same time, most traders are confident that no general commodity collapse is in sight as long as business stays good. The economy of the nation has changed radically from before World War II.

Population is now close to 164-million, compared with 133-million in 1941, and the labor force numbers nearly 60-million, compared with 50.4-million before Pearl Harbor. As a result, there are new customers for homes, autos, appliances, and other consumers of commodities. Besides, the federal government spends some \$60-billion a year—about one-sixth of our gross national product—and the \$40-billion for defense is considered close to rock-bottom in the unsettled world situation of today.

As a result, industry is using up nearly all the aluminum and copper that can be produced and is keeping the steel industry busy, too. Traders expect industrial commodities to continue to flourish at least through September.

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• Competition—Some other commodities aren't so favorably situated, however. In each case, special reasons explain a generally downward trend.

Wool, for example, is now selling under \$2 a lb., compared with more than \$4 a lb. in the summer of 1951. But in 1951, the Army was buying heavily for uniforms, and the competition from synthetics had not begun to hurt quite so much.

Similarly, cotton is under fire from synthetic fibers, tallow against synthetic detergents, and leather against synthetics in shoe soles, luggage, and decorative uses.

Natural rubber, reacting to Formosa war jitters and record tire demand, got up to almost 37¢ a lb.; but now synthetics' competition has it down to 31¢. A year ago it was 203¢.



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McGinnis Moves

President of the New Haven and his "friends" for mally open drive for control of Boston & Maine.

Patrick B. McGinnis, president of the New Haven RR, and his "friends" this week officially opened their longexpected campaign to gain control of the Boston & Maine.

Their Stockholders Committee in Opposition to Present Management of the B&M announced that if it wins control of the road at the annual meeting Apr. 13, it will name McGinnis president. Simultaneously, McGinnis announced that he would accept the job, if the Interstate Commerce Commission approved.

In Boston, the road's present management retorted that there is "a calculated attempt by friends of the New Haven Railroad to dominate the Boston & Maine."

• Clearer—In proxy material cleared by the Securities & Exchange Commission this week, the Opposition Committee "clarified" McGinnis' earlier statement that three of his "friends" own 350,000 shares, 42.5% of B&M's outstanding preferred and common. He identified the three as Oliver D. Appleton, member of the brokerage firm of Cyrus J. Lawrence & Sons and St. Lawrence University classmate of McGinnis, E. Carroll Stollenwuerch, partner of Laird & Co., another street brokerage house, and Robert J. Marony, former vice-president of the Chicago, Milwaukee, St. Paul & Pacific RR.

In the clarification, it was stated that "McGinnis' friends" and their families actually now own a maximum of only 75,000 shares—not 350,000. Also, instead of three "friends" there were now two. The statement said Stollenwerch no longer owns any B&M shares, and "now has no connection with the committee." (The Wall Street grapevine reports that Stollenwerch "bought his B&M shares low and sold them high, at a good profit.")

• Adding Up—The committee went on to say that "friends of the committee members and their friends" own 110,000 B&M shares, and that customers "in certain brokerage houses" own another 135,000. It added that committee member Pierre Dumaine, vounger brother of Frederic C. Dumaine, Jr.—who was unseated by McGinnis last spring as New Haven president—has "a beneficial interest" in Amoskeag Co., which owns 25,000 B&M shares.

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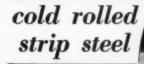
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PRES. MURRAY D. LINCOLN, of Farm Bureau Insurance Co., sits in back room at Columbus (Ohio) meeting, listening intently as . . .

Policyholders Run the Show

Right now, in Columbus, Ohio, a special committee of the Farm Bureau Insurance Companies is mulling over 40 or 50 recommendations received from company policyholders about three weeks ago. The ideas represent more than casual policyholder suggestions—they are the result of a fairly intricate procedure that was started in 1952 for the express purpose of keeping the policyholders' hands on the controls of the company.

Once a year, a group of policyholders, representing the District of Columbia and the 13 states in which the Farm Bureau Insurance Companies operate, meets in Columbus to pass its recommendations to the management. This year, 67 representatives made the trip—at company expense—and fired more than 100 suggestions at Pres. Murray D. Lincoln (picture) and other company officials.

• Picked Spokesmen—The 67 representatives were elected at regional meetings of policyholders of the three companies that make up FBIC—Farm Bureau Life Insurance Co., Farm Bureau Mutual Automobile Insurance Co. (one of the nation's largest automobile insurers), and Farm Bureau Mutual Fire

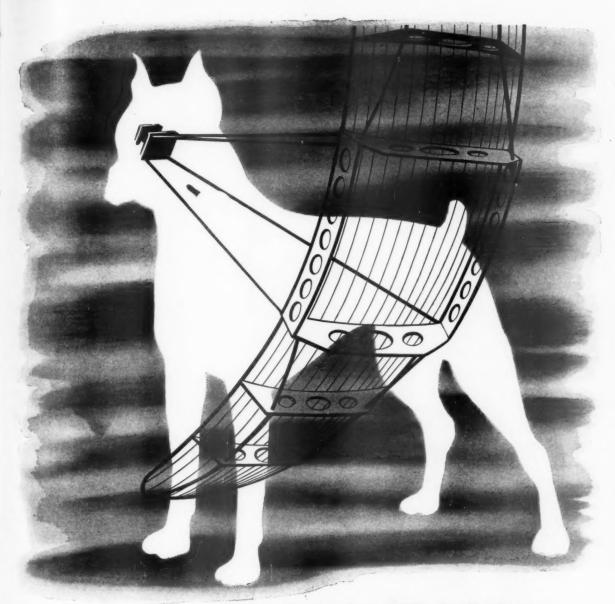
Insurance Co. The policyholders at the regional meetings had been elected at meetings held in the company's 335 sales districts.

Thus, the group that eventually makes the trip to Columbus has a real grassroots origin. And the recommendations that go with the delegates are screened at each step of the way.

Faith in People—The idea of a policy-holder advisory committee came from Lincoln, who expresses strong faith in the will and judgment of the policy-holders. He feared that as the company got bigger it would otherwise lose contact with its policyholders.

In its early days of evolving out of the Ohio Farm Bureau Federation, the company was controlled by "family advisory council." Farmers hashed over their problems at home, then sent recommendations on to the state farm cooperative.

Lincoln's idea of a policyholders' committee encountered something less than enthusiasm from many other officers in the company. They feared that the result would be "policyholder interference" rather than participation, that suggestions would be largely impractical and unprofitable. But Lincoln



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gradually overcame their doubts, and since 1952, when the first meeting was held, the committee has spoken for itself.

• Extremes—The first committee started was too big, with 300 delegates bringing their ideas and questions to Columbus. Then its size was cut too far a year later, with only 27 delegates. This was not representative enough, so the present idea of electing one delegate from each five sales districts was evolved.

• Suggestion Box—Perhaps the most provocative recommendation coming out of this year's meeting was a request that the advisory committee be represented on the board of directors. This stirred up officers and policyholders alike, with finally Lincoln himself assured long-range consideration for it.

Another idea that will probably make some headway with the management was for some sort of merit rating system to reward accident-free drivers. The company was also urged to work with state legislatures to get uniform traffic regulations, inspection laws, and license requirements and to work with automobile manufacturers to get more safety devices built into cars.

• Screened Out—Not all of the 100 suggestions will receive serious consideration by the management screening committee. Many, such as the one urging the company to manufacture fire extinguishers and sell them at cost to policyholders, were immediately discarded as impractical.

Others that were thrown out included accident policies for motor scooter drivers and professional baseball teams, a policy for farmers who haul fertilizer, and a suggestion that delegates be given some sort of memento, such as a pen and pencil set. (Since bringing the representatives to Columbus and feeding and housing them costs the company between \$6,000 and \$7,000 already, the last suggestion was quickly squelched.)

• Rang the Bell—However, the non-workable suggestions are outweighed by the value of the ones that pan out. In 1952, it was suggested that the company set up a mutual investment trust to help policyholders invest their savings in securities. The company bought Mutual Income Foundation, Inc., an openend fund in Detroit. Now the company is experimenting with a plan whereby its agents are also licensed as securities salesmen, and they have started selling a "package" of life insurance, mutual fund shares, and retirement income plan.

Among other recommendations that clicked was bride insurance, suggested by a West Virginia grandmother who had to go into debt to marry off her two daughters. This brought laughs at first, but now the company has a policy that pays off when the girl's engagement is announced.

New Corporate Offerings:

The year 1954 was the second best on record...

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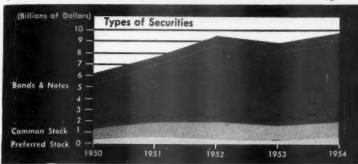
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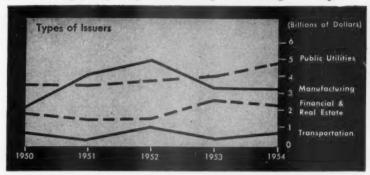
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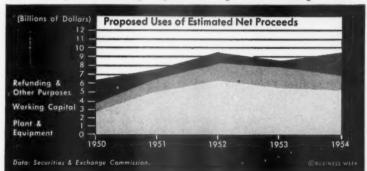
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... with a big jump in public utility financing ...



... and hefty refundings sparked by low money rates



Going to the Market for Money

Last year U.S. corporations looked beyond their own coffers for capital to a greater extent than at any time since 1929. Corporate offerings of securities in 1954 climbed 8% over 1953 to a grand total of \$9.6-billion.

The urge to refund outstanding issues was one of the biggest factors behind the increase. In 1953 business concerns faced relatively stiff interest rates. So they borrowed only \$260-million to retire or refund securities. But last year there was a definite softening of money rates, and borrowing for these purposes

shot up to some \$1.9-billion. This, the Securities & Exchange Commission reports, is the largest volume of refunding issues since 1946.

The sharp upward swing in demand for refunding money was accompanied by a slight dip in demand for money for plant and equipment and working capital. According to SEC estimates, corporations last year turned to external sources to meet about one-quarter (\$5.3-billion) of their total expenditures for new plant and equipment. The bulk of money for these



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purposes came out of their own pockets in the form of retained earnings and

depreciation reserves.

• Exception—Moving against this pattern though were the public utility companies. They financed about 60% of their capital needs through the sale of securities. This proportion—the highest for any industry group—stood out in sharp contrast with the 10% of external financing by manufacturing companies. And the manufacturers account for almost one-half of all plant and equipment expenditures in the country.

Utilities were more active in the securities markets than any single group of borrowers last year, coming away with some \$3.7-billion. That amounted to 39% of the total borrowed. One-third of all common stock flotations were made by these companies.

Second heaviest borrowers were manufacturing companies, which floated \$2.3-billion of securities last year. While slightly above 1953's total, this is way

off 1952's \$4-billion.

Third place went to the financial and real estate companies. They accounted for over \$1-billion of the total last year, excluding sales of open-end investment trusts, which totaled \$460-million. The total was down \$500-million from 1953, reflecting declining demand for money from sales finance and commercial credit companies.

• Standout—Though not among the biggest borrowers last year, the mining industry nevertheless was a standout SEC's study showed that mining increased its sales of securities from \$235-million in 1953 to \$536-million last year. How heavily uranium flotations figured in the increase, SEC didn't say.

Public offerings in 1954 hit a record \$5.8-billion compared with 1953's \$5.6-billion total. Private sales also showed a gain last year—\$3.7-billion for 1954 as against \$3.3-billion for 1953—but 1952's record mark of \$4-billion was left intact.

Biggest users of private sales last year were manufacturing, mining, and nonrail transportation companies, while the utilities, railroads, and communications companies had to stick mainly to public sales as required by regulatory bodies.

• Still Popular—Raising capital through

sale of debt securities retained its popularity over equity financing in 1954. It accounted for about 80% of the total, or \$7.5-billion. Common stock flotations totaled only \$1.2-billion last year, but preferred stock forged ahead from \$489-million in 1953 to \$814-million last year. The big jump in preferred offerings is attributed to the heavy refundings last year.

In addition to the 33% of all common stock flotations racked up by the gas and electric utilities, bank issues took 19% and mining stocks 15% of the total equity issues last year.

FINANCE BRIEFS

Stock-minded pension funds do not include the biggest fund of all—that of The Bell System. At the turn of the year, Mother Bell's portfolio contained almost \$2-billion of resources, but nary a stock. Bankers Trust Co. of New York, manager of the fund, is required to invest entirely in bonds, debentures, and notes of the type that life insurance companies are permitted to buy under New York State laws.

Merger ahead? St. Louis-San Francisco Ry. holdings of Central of Georgia shares keep growing. The Frisco now owns directly 57,408 shares of Georgia's preferred (more than one-third of issued shares) and 9,700 of its 337,000 outstanding shares of common. Despite recent denials by the Frisco, Wall Street expects to see merger steps taken before long.

Toll road issues amounting to \$702-million now overhang the municipal new issues market. "Propitious" marketing conditions will start them flooding in for offering.

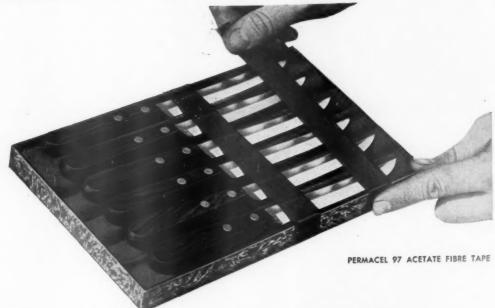
Paler red ink: Studebaker-Packard Corp. reportedly will wind up the first quarter still in the red, but its labor and production troubles appear to be just about over. Wall Street expects, therefore, that the company will break into the profit column in the second quarter.

No encore: At next month's annual meeting of the New Haven RR, few Streeters expect Frederic C. Dumaine, Jr., seriously to oppose the Patrick McGinnis group that wrested control away from him last spring. Lately, the Dumaine interests have been liquidating their New Haven holdings, once big. As a result, they are believed now to control only enough shares to elect, at best, three of the road's 21 directors.

Pittsburgh Steel Co. expects "a far better year in 1955 than in 1954," according to Pres. Avery C. Adams. He predicts recordbreaking sales, capacity operations through the summer, and "marked" improvement in net income. That was good news for stockholders: The company's sales slid 11% last year and, excluding a tax credit, earnings dived 65% from \$4.7-million to \$1.6-million.

Stock options for employees of Pittsburgh Plate Glass Co. were exercised to the tune of 112,648 common shares in the first two months of the year. Under the plan, employees paid \$41.40 for shares currently selling on the market at around \$64.

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NAMES & FACES

Sen. Paul H. Douglas, professor turned politician, is a political maverick, excluded from inner party councils, possibly the loneliest senator. But his flair is putting economic arguments in terms for the "little guy." That's why, with the Democrats hunting 1956 issues, he's the . . .

Idea Man for the Democrats

If there is one man who typifies the pro-business policies of the Eisenhower Administration, it is Treasury Secy. George M. Humphrey, the former industrialist from Cleveland, Ohio. And if there is one man who makes Humphrey's temper flare, it is Sen. Paul H. Douglas of Illinois (cover, above, and right), senior economist for the opposition, and former professor at the University of Chicago.

They are engaged in the hottest political feud in Washington, with Douglas demanding a personal apology, and Humphrey counterattacking. The immediate issue is whether Douglas last year predicted a serious depression. But the split goes deeper.

• Symbols—Between them, Humphrey for the Republicans, and Douglas for the Democrats, wrap up the basic differences in the attitudes of their parties toward business and businessmen.

The outcome of the quarrel between the viewpoints they symbolize will determine the general business climate for the next year and a half—until the election of November, 1956, clears the air.

Issues at stake are: tax cuts and who should benefit from reductions next, federal spending, the financing of public construction, and liberalization of Social Security. Eventually, antitrust policy and even the fate of "fair trade" legislation will be involved.

• Issue-Monger—To Humphrey and his fellow Republicans, Douglas is the embodiment of gloom and doom, the politician who hurt them most when they lost control of Congress last year, and the opponent most likely to give Democrats an effective set of issues for 1956.

Last November, he was their No. 1 target. But Illinois voters sent him back to the Senate with the biggest majority of any Democrat.

A rightwing Republican sums it up: "I used to think of Douglas as a one-man band-tricky, fast-moving, entertaining to watch, but not worth listening to. Now I've got to listen."

 Maverick—Douglas may well be the loneliest member of what senators like to call the world's most exclusive club. He has personal influence with only a small group of liberals—not more than 10. He is not invited to inner party councils. He is still at odds with former Pres. Harry Truman and with Adlai Stevenson. He is mercurial, unpredictable, given to explosions of temper, irritating to fellow senators. He has no important committee chairmanships that would give him a chance to control or initiate legislation—the usual mark of power in the Senate.

He is the last of the political mavericks in the tradition of his heroes, George Norris and the senior Bob La Follette. He operates largely outside the traditional machinery of the Senate, and outside the machinery of his own party.

• Brains Plus Ham—What he accomplishes is by sheer weight of intellect, mixed with an effective streak of political ham.

This is a combination that delights Washington news correspondents, who named him "best senator" in a 1951 poll. Political scientists ranked him equally high in a poll of their own.

In ordinary times, a maverick like Douglas would be handcuffed and ineffectual. He achieves his unique role today for a simple reason. The Democrats are desperately in need of economic issues that will stir the voters, and offset the great popularity of Eisenhower. On the record, Douglas is the man best equipped to produce them.

His assets are an inborn flair for the spectacular, a talent for expressing economic arguments in politically appealing terms, and a solid reputation as a scholar. In Washington, a successful operator needs more than economics, of course; there Douglas is about one-tenth economist and nine-tenths politician.

Ask him what makes him tick and he does not cite economic doctrine. He says, "I'm for the little blanketyblank at the bottom."

Businessmen can take that as a general guide to what Douglas will come

up with between now and the 1956 election.

I. Reformer Seeking a Party

On telephone poles all over Illinois last autumn, Democratic placards hailed Douglas as America's No. 1 Senator.

Joseph Meek, his opponent, called him something else: Illinois' Senior Socialist. That's the charge Douglas faces each time he runs for office—and he has done that three times now. It has been the chief Republican stategy. Here's what's really back of it.

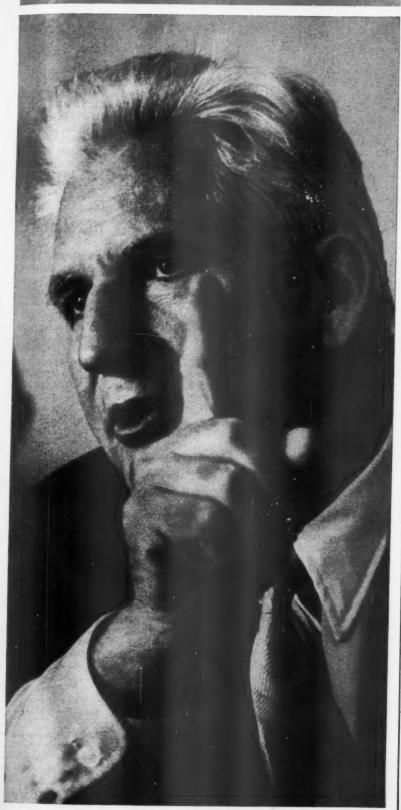
• Anti-Democrat—Douglas began in politics by calling for the formation of a new party, to be composed of workers, farmers, and consumers. To clear the way, he argued that the Democratic Party should disappear. Its death, he said in 1930, "would be one of the best things that could happen," because "it has no logical place in American life." But Douglas saw a useful function for Republicans. He said: "We need one conservative party... but we do not need, and should not long endure, having two."

Chiefly as a way of getting rid of the Democrats, he was for Socialist Norman Thomas in 1932. He made his choice plain in magazine articles, and as chairman of the Thomas Committee of

100,000

• New Deal-And More—In the 1920s, Douglas had begun advocating a long list of reform ideas held by Socialists. He was a leading advocate of social insurance—old age, unemployment, and health—when these were still the exclusive property of leftwingers. In this sense, he was an Old New Dealer before there was a New Deal.

But he went further. He favored government ownership of many industries—steel, aluminum, railroads, electric power, electrical machinery, heavy chemicals, oil, and lumber. He even proposed nationalization of mortuaries in the interest of cheaper funerals. In principle, he favored government ownership wherever an industry got so big



"I'm just saying that if consumption fails, investment will stop."



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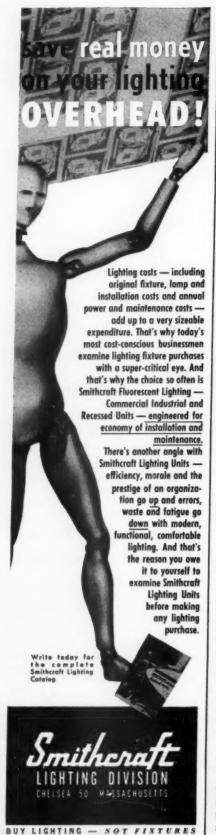
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"... Douglas was scarcely settled in his Senate office for the first time when he broke with Truman on economic policy . . ."

IDEA MAN starts on p. 128

that, in his opinion, it could exercise control over prices.

Nor did he shed these ideas lightly. He repeated them in a book, Controlling Depressions, as late as 1935. That was at a time when most reformers had rallied to Roosevelt. Douglas, in fact, opposed such early New Deal programs as NRA and agricultural price supports.

• Conversion—But later in that same year of 1935 came the first of two great political conversions in his career. He didn't know it then, but he was about ready to tear up his classroom concept of the perfect society and join the ranks of politicians who—in his words—"get things done."

II. Party Seeking a Reformer

That first political conversion took place in Rome, in 1935.

With Mrs. Douglas, he stood in the street and heard Mussolini, from the balcony above, announce the war on Ethiopia.

"Something happened to both of us" Mrs. Douglas recalls. "Paul came back, determined to oppose Fascism. He thought the way to start was at home, right in the Fifth Ward of Chicago where we lived."

His first step was to turn away from his idea of a new party. As a boy in Maine he had thought of himself as a Democrat; so he joined that party as the one nearest to his own thinking.

• Into the Ring—But he might still be on the University of Chicago faculty another liberal professor "interested in politics"—except for Ed Kelly.

In 1938, Kelly-mayor, and boss of the Chicago Democratic machine-was in deep trouble. He needed a new and attractive candidate, free of machine taint, who would appeal to the liberals at the University of Chicago and to the Negroes who lived in the same ward.

He backed Douglas for alderman and saw that Douglas won. Douglas served three years—usually acting as a minority of one reformer against 59 ward politicians.

"They were the smartest bunch of so-and-sos I've ever known," Douglas recalls.

Their feelings toward him often broke out in ridicule and abuse. But they knocked out of Douglas the distaste for precinct politics that plagues so many reformers.

• Impressed-He was still trying to con-

vince the professionals that he was a real Democrat in 1942, when he made a losing try for the Democratic nomination for the U.S. Senate. The boss of one Illinois town refused even to see him, until local Democrats insisted.

"Tell him to come-but at midnight so nobody will see him," Douglas' friends finally were told.

Despite a series of double whiskeys (Douglas is normally a light drinker) and a growing spirit of camaraderie, he got nothing but the promise of a token vote.

"I'll let you have 2,400," the boss agreed. Douglas got 2,416. Ever since, he has had a deep respect for what a political boss can accomplish.

• About Face—From that time on, he has always kept his relations good with the party professionals back home. They supported him enthusiastically for the Senate in his first victory in 1948, and again last year. In the current mayoralty campaign in Chicago, he is for the machine candidate, Richard Daley, against a Republican who, in many ways, resembles the reformer Douglas was 20 years ago. In Illinois, at leat, Douglas had made the conversion complete; he is a Democratic regular of regulars.

III. Quaker, Pacifist, Marine

Such drastic changes of belief characterize Douglas' life. You can understand that first political conversion better if you take a look at some in other fields.

While a young teacher of economics, Douglas was converted to the Quaker view of life. He makes the Quaker inner voice his guiding personal principle still. It is the taproot of his political independence.

"When the chips are down in the Senate, a man should vote his profound individual convictions . . . regardless of who is with him or against him," he

"Beneath the surface of a senator's life," he adds, "is a deep loneliness." That is the Quaker dependence-on-self speaking.

• From Pacifist to Fighter-Douglas was a pacifist during most of World War I. Of prime fighting age—he was 23 in 1917—he argued for the right of the individual to resist the draft. In his case it was a matter of principle only; weak eyes kept him from being drafted in any case. Later in the war, when his attitude shifted somewhat and

he tried to enlist, he was rejected for the same reason.

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By World War II he had turned completely away from pacifism. Though he was 50, he pulled wires through his friend, Secy. of the Navy Frank Knox, and joined the Marines as a private, despite bad eyes, below-standard teeth, and the paunch of a professor of economics.

He got to the South Pacific, volunteered for front-line duty, won a decoration for bravery, and was twice wounded in action. The second wound shattered his left arm; the arm is still all but useless. This wound was almost fatal, because of loss of blood.

Douglas has been accused of joining the Marines for political purposes. But as one of his bitterest political opponents points out: "Nobody wins elections from a grave in Arlington Cemetery." Douglas was clearly more than a politician in uniform; he was a front-line, fighting Marine—about as far from the pacifist of the early World War I days as a man can travel.

• Quaker and Marine—Even when he killed a Japanese sniper in the Okinawa fighting, however, the Quaker conscience stirred. It occurred to him that the man he had just shot might well have been professor of economics at the University of Tokyo.

He liked the Marines. "I got along with them better than with any group

of men I've eyer known."

Ask him why, and he explains: "They like a nut."

IV. Working Politician

Put the lonely Quaker conscience and the gregarious Marine together, and you get some light on another paradox. The practical Chicago politician—the regular of regulars at home is, on the national scene, still the unreconstructed maverick.

One thing about Douglas is certain: Whatever ideas he pitches out to the Democrats for 1956 will be wholly his

own.

• Independent—He was scarcely settled in his Senate office for the first time when he broke with Truman on economic policy, military spending, and pork-barrel projects.

pork-barrel projects.

He angered liberals by condoning race segregation in the Armed Forces

as a temporary expedient.

He threw himself into the Reconstruction Finance Corp. investigation as an ally of Democratic Sen. J. William Fulbright, and helped expose the mink coat scandals.

He attacked Truman's health insurance plan: "The common cold should

not be socialized."

He discovered a small budget item for migratory bird stations and asked with one eye on the press gallery—



Those tinkling ice cubes most of us take for granted have kept many an Acme engineer awake at nights...over

Actually, making the simple ice cube is

economy. Many hundreds of hours have been spent by Acme designing and

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building engineered products for this

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Some of the results are indicated

Refrigeration is but one field where Acme has won the confidence

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not so simple in today's competitive

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RINK'S RIEND



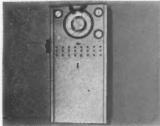
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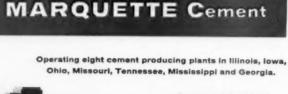
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"... he rose with a cry of rage or pain, rushed from the floor . . ."

IDEA MAN starts on p. 128

where the money was for migratory children. He repeats this by-play every

• Target-Another favorite target is a few millions for entertaining in U.S. embassies-money for whiskey, Douglas insists in another annual speech. Other senators complain about these stunts.

One Southerner puts it:
"You go back home and someone says, 'I see you voted for whiskey.' That hurts in a dry state like mine. And Paul isn't really trying to change anything. He knows an embassy has to have people to dinner and pour drinks if a guest wants one. He's showing offbut it makes the rest of us look bad."

· Isolation-His strained relations with Adlai Stevenson have their roots in a combination of little things buried deep in Illinois politics, plus a basic difference in personalities. This rift just about completes Douglas' isolation from the main sources of party power.

His isolation results, too, from a personal characteristic. At one time it appeared he might himself become the party's candidate for President in 1952. But as a national figure, he suffers from a curious weakness. A streak of emotionalism breaks out at moments

of unusual tension.

· Outburst-It first got national attention in 1951. On the Senate floor, he was arguing for a reduction in military spending for items he did not believe were necessary. Sen. Joseph C. O'Mahoney remarked that Russian news agencies would hail Douglas' views with delight. Douglas dropped his head onto his arms, motionless at his Senate desk. Then he rose with a cry variously described by reporters as a "hysterical scream," "a bellow of rage," "a whoop of derision," "a scream of pain," "a cry of exasperation." He rushed from the floor, to rest on a couch in the cloakroom.

· Worked Up-In 1952, while campaigning for his choice for the party's Presidential nomination, Sen. Estes Ke-fauver, Douglas worked himself almost

to the point of exhaustion.

Then, at the convention, with 15-million watching on TV, he suddenly lost the delicate sense of crowd psychology that normally makes him a success-

ful platform performer. His hoarse call for "Mr. Chairman, Mr. Chairman," repeated over and over in a vain attempt to move for adjournment, could have come only from a man oblivious to effect.

· Going Easy-Douglas is now taking

things easier than at any time since coming to the Senate. An infection that settled in his legs slowed him up in January; for a time he carried a cane.

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He snatches 10-minute periods of test when he can. He is speaking less on the Senate floor. In his office, he will strip off his suit jacket, stretch out on a leather couch, and wriggle off his shoes as he talks to friends.

He used to come to his office at 8:30 a.m. Now Mrs. Douglas drives him to the Senate office building in their blue Chevrolet barely in time for committee hearings, about 10:30 a.m. He returns home around 7 p.m.

• At Home—The Douglases accept few invitations, and entertain little. Evenings, he reads, and listens to music on a simple custom-made high-fidelity system, mostly Bach and Beethoven.

Their small brick house is on a street that could be lifted from any medium-sized Illinois town—the right side of the tracks, but not fashionable. Their daughter Jean comes down frequently from Swarthmore, near Philadelphia, and Douglas' four children by a former marriage—which ended in divorce—are also frequent visitors.

Douglas and his present wife—Emily Taft, daughter of the sculptor, Lorado Taft—were married in 1931. She has been active in public life herself, serving

one term in Congress.

• Wiser—Douglas—as politician—is taking a little more time these days to contemplate two pictures on his office wall. One is a portrait of Erasmus; the other of Sir Thomas More.

"Both were college professors," Douglas explains. "Erasmus remained a professor and died full of learning. More went into politics and had his head cut off by Henry VIII. I still can't decide which was the wiser man."

V. Working Economist

The second major political conversion of Douglas' life has a background in economics. It gives a sense of direction to all his present ideas of what Democrats should do about business.

In a few words, the second conversion comes down to this: Where he once feared private economic power, and trusted political power, he now keeps a distrustful eye on both.

He does not like the trend to bigger and bigger corporations. But he greatly fears its counterpart in politics-bigger and bigger government.

"I've come back full-circle to my heroes," Douglas says, waving toward pictures of Norris and La Follette on his office wall. "I stand for diffusion of power. That holds for business and government both."

He explains his change of mind: "Look at what happened in Russia."
• Expert—Back of this fundamental

ary; for a time he carried a cane.
e snatches 10-minute periods of when he can. He is speaking less the Sengte floor. In his office he

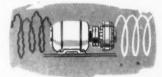
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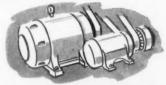
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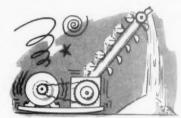
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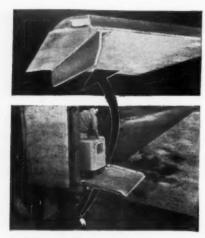
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> International Amphitheatre, Chicago May 16-20, 1955

WHEN BUSINESS MEN WANT BUSINESS NEWS THEY TURN TO BUSINESS WEEK

"... a clear and simple theory he hasn't changed for 20 years ..."

IDEA MAN starts on p. 128

shift to the right—Douglas describes it as the most important in his career—lies a first-class talent for economic analysis. Douglas won fame as an expert on the theory of wages. Labor has been a specialty ever since. In his last year in private life—1947—he was head of the American Economic Assn.

For 17 years beginning in 1931, he served as chairman of the board of arbitration for the newspaper publishing industry, handing down 85 decisions. "The best arbitrator we ever had," a veteran publisher recalls.

• Scholar in the Senate—As senator he was assigned to the Labor & Public Welfare Committee, and the Banking & Currency Committee. He tried this year for the key Finance Committee, which considers tax legislation, but was kept off by the party elders. As a sop, they made him chairman of the Joint Committee on the Economic Report.

This group has no power to frame legislation, but holds hearings on economic problems and at times exerts great influence. An example is the series of hearings in 1949 on money and credit policies, conducted by a subcommittee under Douglas, which paved the way for the Federal Reserve-Treasury accord of March, 1951. The accord ended the inflationary easymoney policies followed by the Truman Administration from the end of World War II. Experts described his hearings as the most scholarly ever conducted on U.S. monetary problems.

VI. What Next?

Douglas' ideas of what Democrats should do now in opposition to Republican policies spring from his analysis of what happened in 1929. He carries a clear and simple theory in his head, repeats it often, and has not changed it for 20 years. Here are its main points:

• From 1923 to 1929, productivity (output per hour) rose 25%.

• But earnings of labor rose only

These trends caused a 14% drop in labor costs.

• A comparable fall in prices would have soon righted the situation, but prices fell only 6%.

The result was a boom in business profits; they rose 84% in a period when production rose only 37%. Much of these extraordinary profits fed stock market speculation.

 The Depression was unusually painful because the power to consume had fallen so far behind the power to produce.

 Its basic cause was the failure of prices to come down, and this was due to what he considered quasi-monopolistic policies of big U.S. businesses.

• Key—Douglas puts the emphasis on a failure of consumption, due primarily to the failure of prices to come down. This view is overshadowed in the minds of most economists by the theory of Lord Keynes, which explained the Depression largely as a failure of invest-

"Investment is important, of course," Douglas elaborates. "It gives jobs, and creates consumption power. I'm just saying that if consumption fails, investment will stop. Who will invest where there is no market?"

• Program—That's the foundation for Douglas' views on what should be done now. Douglas himself describes his position as "the liberal center." Here's what it boils down to:

Taxes: He wants a shift from personal income taxes in the low brackets to heavier taxes on business. You see this in his suggestion that the Democratic-sponsored \$20 tax cut on incomes under \$5,000 be offset by ending the special credit on income from dividends adopted by Congress last year. He originated the idea of trading a tax cut for a tax rise; it was adopted later by the party leadership.

Spending: He will not back an allout rise in spending with business as good as it now is. In this he will have a restraining effect on such Democratic advisers as Leon Keyserling, who was chairman of Pres. Truman's Council of Economic Advisers (BW-Mar.5'55, p28).

Public works: Douglas thinks the Democrats should vote public works money for immediate relief in distressed areas, such as soft coal fields and the Pennsylvania anthracite area.

Financing roads and schools: He will fight the Eisenhower plan for financing these projects outside the budget.

Inflation: He fears inflation and has great faith in general monetary controls maintained through an active Federal Reserve policy.

Money and credit: He believes the Fed has been timing its moves awkwardly, but can't argue with the result—stable prices, outside the stock market, for four years. He's for a strong Congressional watch over Fed policies.

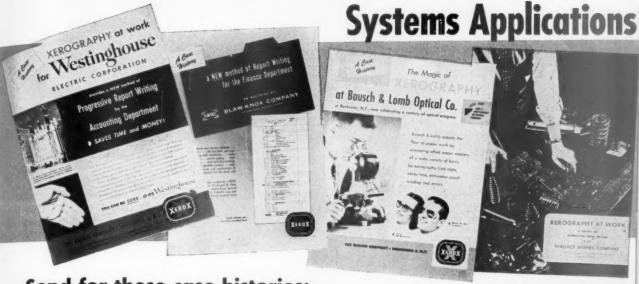
Social Security: He favors higher unemployment benefits, better protection for the aged, and protection for the disabled.

Antitrust: He'll work hard for a tougher policy.

Prices: He opposed the Fair Trade Law, and will work hard to kill it.

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- 1 PROGRESSIVE REPORT WRITING for the Accounting Dept. at Westinghouse Electric Corporation
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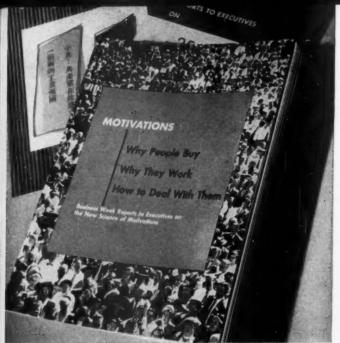
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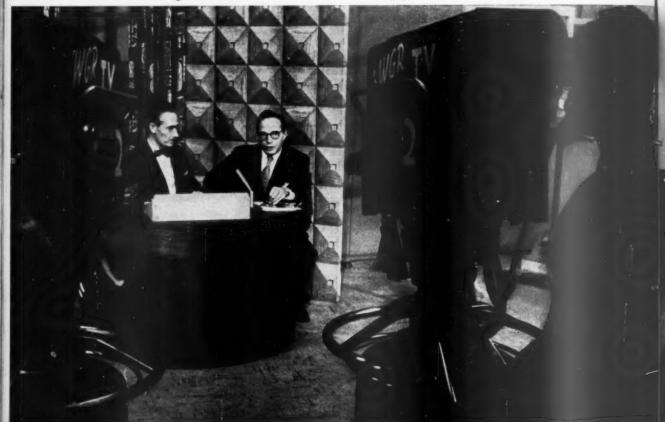
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BUSINESS WEEK EDITORS: EXTRA CURRICULAR ACTIVITIES... Being interviewed at the opening of Business Week's Canadian New Bureau by Buffalo Station WGR-TV is Foreign Editor Howard Whidden... one of the many radio and TV appearances of Business Week edited the recent appearances include: Robert B. Colborn, Assistant Managing Editor, on CBS radio to discuss "Peacetime Uses of the Atom" Labor Editor Merlyn Pitzele in an interview with the Secretary of Labor on ABC's "Town Meeting of the Air"; Alan Adams, Washings Bureau, discussing the guaranteed annual wage on NBC's "American Forum of the Air."

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Last May, the Myrtle Desk Company, High Point, North Carolina, featured a 4-color advertisement in Business Week, announcing "The complete office-at a package price." To secure sales enthusiasm at the local level, Business Week, in cooperation with the Bennett Advertising Agency, prepared a kit of special merchandising material for Myrtle Desk dealers. Six months later, inquiries were still reaching the factory-directly traceable to the May advertisement in Business Week. Enthusiastic dealers demanded-and got-a second promotion last October centered exclusively around Business Week. A third is now being readied for this Spring.

> NATION'S BUSINESS

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INTERNATIONAL OUTLOOK

MAR. 26, 1955



The U.S. is meeting the Formosa crisis (page 25) with diplomatic as well as military preparations.

Pres. Eisenhower said this week that once France completes ratification of German rearmament he would agree to a top level East-West meeting—if exploratory talks indicated that such a meeting would ease international tension.

Eisenhower didn't lay down the condition, as he always has before, that the Russians must come through with "deeds"—like a real peace in Korea—before we would even explore conference possibilities. All he asked for was some demonstration that Moscow is ready to talk peace seriously.

Eisenhower has good reason for taking this new position:

- He wants to keep the peace initiative firmly in our hands. The Communists have been using every propaganda and diplomatic maneuver to paint the U.S. as (1) an aggressor bent on atomic war, and (2) a power that refuses to negotiate.
- If the U.S. gets involved in fighting in the Formosa Strait, we will want our allies to know we have done everything possible to avoid war.
- Bonn, Paris, and London have been insisting that when the Western Europe Union is ratified, which should be within two weeks, they want to discuss European security with Moscow.

This doesn't mean that Washington expects a top level conference anytime soon. In fact, there is very little chance it can come before the end of the year.

At the moment the new regime in Moscow seems to have other ideas on how to deal with the West. Apparently the Kremlin still expects to force the U.S. into a Geneva-type backdown over Formosa.

Even if Moscow becomes convinced that it can't get away with this and then decides it wants a conference, there will still be problems. The Russians will insist that Red China be included on an equal footing with the other participants. And that won't be easy for the U.S. to accept.

Harold Stassen's appointment to work on disarmament is more than just politics and propaganda—although there is a lot of both behind it (page 30).

Stassen's first job will be to redefine the whole U.S. position on disarmament—try to develop a policy that can be put in simple terms. Then he will try to get agreement from our major allies.

It looks as if Sir Winston Churchill will soon retire as British Prime Minister. That would mean early elections, probably in May or June.

Churchill's cabinet has been pressing him to let Eden take over. The Conservatives feel that now is the time to beat the badly split Labor party. And they are convinced that Churchill's retirement—bound to come before long anyway—would provide the right occasion for them to go to the country. (Elections don't have to come until mid-1956.)

The feeling was strengthened this week when the Labor party's executive committee refused to go along with Clement Attlee's effort to expel

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK MAR. 26, 1955 Aneurin Bevan from the party—a decision that is bound to increase Labor's appeal to the voters.

You can take a reading now on the effects of Britain's tighter money policy. On balance, the outlook allows some optimism.

Demand for bank loans, soaring in January and February, is dropping. Banks haven't yet made loans harder to get, but they've made them more expensive. If the trend continues, banks won't have to sell governments to keep liquid. Then the stock market should firm up some.

The Bank of England's campaign to support sterling is succeeding. Transferable sterling is up enough to knock the profits out of the "shunting" operations that were hurting London's reserves.

Central banks on the Continent have promised to hold transferable sterling, coordinate their sales with London. And it's reported that the Bank of England has had to spend only a few dollars to support the rate.

Another sterling danger spot, the terms of trade, looks better. After a five-months' rise to a Feb. 11 peak, Reuters index of commodity prices—weighted by their importance to British trade—has lost half the increase. That's due largely to cheaper tea, cocoa, coffee, rubber, some metals.

Fundamentally, the problem is inflation—in Britain and in the overseas sterling countries.

That's why there is so much concern in London over massive wage increases, granted and pending. The effect on the British public's spending could cancel out the government's tight money efforts.

But Chancellor of the Exchequer R. A. Butler hopes to hold the fort. He's counting on high interest rates, high personal savings, and—most probably—a tough budget with a big surplus.

Australia's import cuts, effective next week, are deeper than expected. The nation is \$100-million in the red on the past eight months' trade. So import quotas were shaved by as much as 33% on some items.

British manufacturers are hardest hit. (Dollar imports are already close-reined, though they'll be helped some by last week's \$54.5-million World Bank loan for Australia.) But Britons point out that comparisons with 1952, when much more drastic curbs in Australian buying helped bring the British payments crisis to a head, are vastly exaggerated.

An increase in the U.S. tariff on British bicycles, now being considered at the White House, could affect London's trade position.

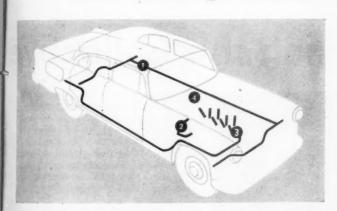
It will be hard to convince British exporters to launch another attack on the dollar market if their success selling lightweight bikes here is penalized.

Still, the decision may well go against the British. There is probably more evidence of injury to the domestic industry than in any recent tariff case. Failure to raise the duty would give powerful protectionists in Congress more ammunition to riddle the trade agreements act with restrictive amendments (page 146).

Contents supprighted under the poweral suppright on the Mar. 20, 1986, Issue-Business West, 330 W. 42nd St., New York, N. Y.



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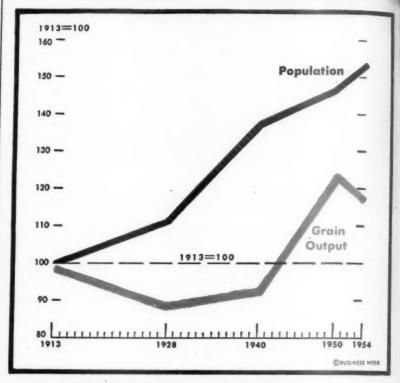
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Making the Collective Fa



3 IN CHARGE: Nikita Khrushchev, who stakes his leadership on a third agricultural revolution.

A plan for agricultural Communism is Nikita Khrushchev's answer to the Soviet farm crisis that threatens to slow down the pace of Soviet industrial growth-if not, indeed, to upset the whole economic system. It's his answer, too, to the problem of staying on top in the bitter struggle for power that has raged ever since Stalin died.

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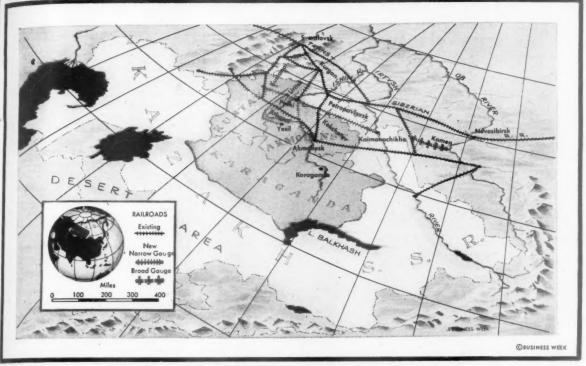
If

Communist Party boss Khrushchev, who shares power today in Moscow with the Red Army leaders, aims to turn the Russian peasant from a collective farmer into an agricultural worker, and to transform the collectivized Soviet village into a grain and meat factory. This could lead to social unrest as dangerous as that which Stalin had to cope with when he collectivized Russia's farmers in the early 1930s.

• Long Range-Khrushchev doesn't expect to achieve his goals overnight, of course. His immediate target is to boost grain output by plowing up some 70million acres of virgin land, much of

it arid, in Kazakhstan (map, above) and

sia Bankrupt Farm Setup



2 SOLUTION: A factory-type granary in the "Virgin Land" of Kazakhstan.

e Farm Into a Factory

southern Siberia. Then he expects to gain enough leeway to turn some of the present grain areas, especially in the Ukraine, over to U.S. type corn-hog production. By building the new Kazakhstan granary on a factory basis, hopes to obtain the leverage gradually to give the rest of Soviet agriculture the full treatment.

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If the plan succeeds, it might well give him more political power than any Soviet leader has had since Stalin's death.

• The Gamble-Khrushchev's plan, if he carries it out, will involve an agricultural revolution as basic as Stalin's collectivization program. Just as Stalin extracted from the collectivized countryside enough capital for his industrialization program, so Khrushchev hopes to extract from a communized setup enough resources to keep the Soviet industrial machine rolling ahead at a apid pace.

But Khrushchev is gambling even more heavily than Stalin did. There are

two reasons why this is so: (1) Success today-depends from the start on marginal land where weather is the real arbiter; and (2) for economic and political reasons, Khrushchev won't be in as strong a position as Stalin was to override resistance on the farms—something that's sure to be very strong.

In fact, the Khrushchev-Bulganin regime as a whole is gambling dangerously. For the Khrushchev program is sure to aggravate Russia's food shortage before it can bring any real increase in output. It's not impossible that Moscow will have to fall back on food rationing within a year or two. Khrushchev already has introduced an area rationing scheme. It provides that the regional allocation of consumer goods and foodstuffs to administrative areas will now be made according to how well an agricultural area meets its agricultural production quotas.

• Real Crisis—There is no doubt that the farm crisis in Russia is a very real one. This shows up in the way the Soviet government recently has dipped into its strategic grain reserves, in large Soviet purchases of butter last year and sugar this year, in the top news billing that agriculture is now getting in the Moscow press, and in Khrushchev's constant harping on the theme that farm output "does not cover the growing needs of the national economy."

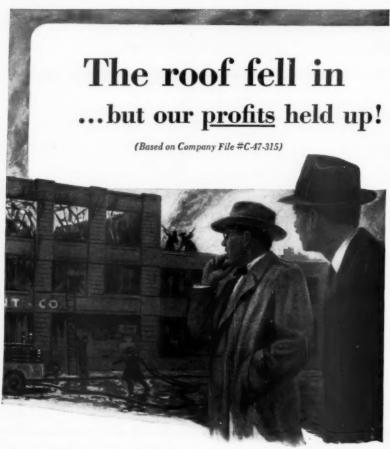
Note these striking facts:

 Despite 20 years of extensive mechanization, grain output has lagged badly behind the growth in population (chart page 142).

 There are fewer head of livestock, especially of cattle, in Russia today than there were before the Bolshevik revolution.

• Over-all agricultural output in 1953 had risen by no more than 10% above 1940, while industrial output was up 140%—a clear indication of how lopsided an economy Stalin left behind.

 Off the Farm-While Russia's farm population has remained almost steady since the 1920s at about 120-million,



Fire couldn't have knocked out our department store at a worse time. It was just before our big season...

Even now, no one can say how the fire started. And there was no stopping it. The blaze was put out only after the roof had fallen into the cellar.

The fire insurance money came through promptly. But materials

were scarce. We had trouble getting labor, too. So twelve months dragged by before we finished rebuilding.

Meanwhile, expenses kept piling up. We'd have been hard pressed without Business Interruption Insurance. This insurance paid us almost \$200,000 for the year in which we had practically no other income!

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the urban population has risen by 50 million. There has been an increase of 17-million in the last five years alone, with 9-million representing an influr from the countryside. These migrant from the farm are food producers turned food consumers. In fact, they are now demanding a better diet than before.

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Today food represents about 70% of the average urban worker's budget in the Soviet Union. What's more, other farm products—leather, cotton, wool, flax, tobacco—form the necessary raw materials for the most essential consumer goods. The failure to increase the supply of cotton and leather more rapidly in the past two years is probably the main reason why Soviet output of cotton cloth and footwear have shown, respectively, increases of only about 3% and 6% in 1953 and 1954.

• Programs—This sad state of affairs was openly recognized by the Malenkov regime within six months of Stalin's death. From September, 1953, to Malenkov's ouster early this year, the post-Stalin regime pushed two main programs for dealing with it.

The first, which seems to have been Malenkov's, called for rising output in existing farm areas, especially from the private plots of the collective farmers—which in 1953 produced 23% of all Soviet food except grain on 2% of the total cultivated land. It was a program that combined strong incentives with tighter state control over the peasantry.

On the one hand, the government cut taxes on the private plots and on the livestock of the collectivized peasants, reduced quotas for compulsory deliveries to the state of meat, milk and eggs, boosted the prices the state would pay for potatoes and vegetables, and promised more farm equipment, seeds, and fertilizer. At the same time, the government launched a limited program to boost the production of consumer goods for the countryside (cheap textiles, kitchenware, and household furnishings), and to streamline the Soviet distribution system to meet peasant needs a little better.

• Land Venture—The other half of the new program was Khrushchev's virgin land scheme. He launched this in March, 1954, with a crash program to open up 32-million acres of land on the steppes of Kazakhstan and southern Siberia. By the end of 1954, the goal had been raised to something like 70-million acres, or an addition of 15% to 20% to the U.S.S.R.'s cultivated area. This new land is supposed to increase the marketed grain supply by about one-third.

Khrushchev has now coupled this scheme with a plan for raising the output of livestock and animal products by introducing a U.S.-style corn-hog economy (page 86). As new lands are sowed to wheat, the older lands of the

144

Ukraine are to be turned over to corn. Corn acreage, which amounted to only 8.3-million acres in 1953, is to rise to 67-million acres by 1960 and the supply of meat products, as well as milk and eggs, is supposed to double by the same year. This is a clear-cut shift from the "stew economy" based on higher collective farm output of meat, potatoes, and vegetables that Malenkov seemed to favor. U.S. farm experts do not believe that Khrushchev's com-hog program has much chance simply because the land available for it is more like the Canadian prairie than our Cornbelt.

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•Tighter Party Controls—Meanwhile, Khrushchev has established tight party control over the collectives by giving new powers to the 9,000 machine and tractor stations (MTS) that serve the collective farms. This move has apparently been made to stymie the expected peasant resistance.

• Old Ideas—This whole plan fits with ideas that Khrushchev had been advocating for many years. Back in 1950-51, he pushed through a vast program of amalgamating the collective farms. The number of collectives was reduced from about 225,000 to 94,000, and the average acreage raised from some 1,300 to about 3,700. These-94,000 collectives work about 90% of Russia's total acreage and some 4,700 state farms have the remaining 10% of the total cultivated acreage.

At one point in this process, Khrushchev tried hard to get Stalin to back a program for gradually turning all collectives into agro-towns—state farms employing labor on a wage basis. But the threat of peasant resistance forced Stalin to back away from this plan. And by 1952 Malenkov was pouring soom on Khrushchev's whole idea.

• Opportunity—Today, Khrushchev has his chance in Kazakhstan. The Kremlin has approved a total agriculture investment for 1955 that is well above the average figure for the last few vears, and most of the total is slated for the virgin land program. What's more, Khrushchev has full control in Kazakhstan, with no interference from the state bureaucracy in Moscow. Farm machinery is being poured into the area. New railways are being tushed to completion to facilitate the whole development (map, page 143).

Kazakhstan is to be built up largely on the basis of oversized state farms. The average seems to be about 200,000 acres. Because of the shortage of labor there (Kazakhstan has a population of only 6-million, though it covers 1.2-million sq. mi.), the new farms are expected to get along with two or three workers per 200 acres. In contrast, the average collective farm has 10 to 12 workers for the same acreage.

Tens of thousands of farm workers



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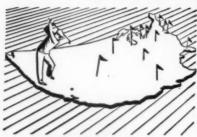
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and agricultural specialists, brought from other areas to Kazakhstan last year are being housed in barracks, many of them pressed into service just like workers in slave labor camps. Krushchev's agro-towns are coming into existence in a hurry.

• The Stakes-Whether they will grad-

ually replace the collective farms in the rest of Russia depends on whether Khrushchev gets away with his gamble or not. So does his own fate-perhans even that of the whole new setup in the Kremlin. And success or failure depends as much as anything on the weather-and the whims of nature.

Some Muscles for GATT

Eisenhower wants the U.S. to join world group that will enforce tariff agreements—but faces major battles.

The Administration this week unveiled the second major item in Pres. Eisenhower's foreign trade liberalization program-a new world organization to administer and enforce the General Agreement on Tariffs & Trade (GATT). GATT has been the framework within which all postwar tariff negotiations have been held, and provides ground rules for the conduct of free world commerce.

Within the next few weeks, the White House will ask Congress to approve U.S. participation in the new Organization for Trade Cooperation. And this probably will touch off the most decisive political battle in the Eisenhower campaign to refurbish U.S.

commercial policy.

• The Stakes-Both Administration leaders and protectionists concede that the fate of the freer trade policy depends on the fortunes of GATT on Capitol Hill. Much more than the question of tariff levels is at stake. The issue is whether free world governments will continue to cooperate to reduce trade barriers, or will revert gradually to the prewar pattern of economic nationalism, bilateral and preferential trading

GATT's chances of getting Congressional approval in turn depends on what happens to the three-year extension of the Reciprocal Trade Agreements Act, now before the Senate Finance Committee. Passage of the trade act without crippling amendments would strengthen the Administration's

hand in the fight for GATT. The trade bill has encountered heavy going. There's severe pressure in the committee to tie strings on the President's power to lower tariffs. Observers on Capitol Hill are predicting that the bill will be badly mauled. They argue that the trade act is doomed by the unexpected protectionist strength that nearly killed the bill in the House of Representatives, plus partisan frictions between Democrats and the White House over taxes and the Yalta papers.

But Administration leaders remain doggedly confident that they'll get a workable law. They are counting on

Eisenhower's throwing his full weight behind the law-something he failed to do last year. This, so the argument goes, will swing a substantial number of GOP votes, since the President can threaten to sink the party by refusing to run in 1956 if his program doesn't get support. And the Democrats aren't likely to scuttle reciprocal trade, which they originally sponsored.

· Foes of GATT-Even if the trade bill goes through, GATT will face formidable opposition. Protectionists will fight it in hopes of indirectly weakening the trade program. Constitutional purists and isolationists will join in, arguing against further U.S. entanglements in international organizations.

The battle over GATT will turn primarily around the issue of whether the President has the constitutional right to take the U.S. into an international body that has some advisory say on U.S. policy. Administration lawyers insist he does. There's no delegation of national sovereignty, since the U.S. can withdraw from GATT at any time.

The Administration will make two positive arguments for GATT. It will contend that GATT is essential to protect American exports. Unlike the trade agreements act, which is aimed at reducing our barriers to imports, GATT is designed to limit attempts by other nations to neutralize their tariff concessions to us through quotas, discriminatory taxes, preferential trading, and

• Favorable—The new GATT agreement signed this week in Geneva after three months of hard bargaining gives the U.S. a very good break. It permits Washington to restrict imports of agricultural products with quotas, and to subsidize their export. At the same time the machinery to limit the use of quotas by other countries for balance of payments reason-which has hampered U.S. exporters since the warhas been strengthened.

One official put it this way: "If I were a protectionist I would vote against the trade agreements act which encourages imports and for GATT,

which encourages exports."

other gimmicks.

This barren atoll had to be

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Once work began, H&N managed the entire job. At the same time as H&N moved personnel, heavy equipment, delicate instruments and construction supplies to the remote islands, other H&N experts started the gigantic task

of transforming the atoll into a self-sufficient industrial activity of international importance. Among H&N's major responsibilities was the engineering and construction of unique structures for which no engineering precedents existed. The job has been a continuing one and H&N's master planning has served as the basic blueprint for the Proving Ground to this date.

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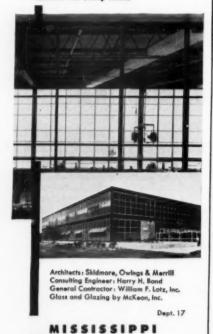
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Second Thoughts in Moscow

Russia reported backing out of British contracts...

The oil report . . . Pipeline setback . . . Amazon petroleum
. . . Mexican sulfur . . . Copper scramble.

Russia may be backing out of its contracts with British business. There are reports this week that Soviet trade chieftains have asked for "modifications" of their orders placed in Britain.

"Modifications," or outright cancellations, could cost Britons millions of pounds worth of sales. Total Soviet orders now on British books are estimated at between £25-million to £30-million (\$84-million). They cover a wide range of products, especially equipment for consumer industries, like textile and food machinery.

There's no accurate list of the British companies that have been approached, or how much business is at stake. One guess is that £10-million worth is to be modified, or canceled. The largest outfit known to be involved is Platt Bros., textile machinery makers, which got a £7-million contract last year, and is sharing it with other Lancashire producers. Platt told business week that it will hurry to Moscow to straighten things out, suggests that "modification" could mean merely a change in delivery dates.

Short of definite, official cancellations, British manufacturers haven't yet given up hope for their Eastern trade. But most of the signs are bearish. The shakeup in the Soviet hierarchy, the apparent deemphasis of consumer production in favor of heavy war industry, may mean a wholesale cancellation of contracts with Western suppliers for certain equipment.

After three weeks of leaks, charges, countercharges, and general fuss and feathers in the press, the controversial United Nations report on oil prices in Western Europe was published last week.

Written by the Economic Commission for Europe secretariat, the report blames the eight large international oil companies (five of them U.S.) for the high price of oil products in Europe (BW-Mar.5'55,p112). The price level of the Middle East petroleum used in Europe, says ECE, is keyed to U.S. prices. Thus the consumer pays much more than the low production costsand high profits—of the Middle East justify.

The oil companies, backed up by the State Dept., have attacked the report as distorted, prejudiced, and just plain inaccurate. They deny the price fixing charge. They point out the once you deduct royalties and taxes to Arab rulers, and the depletion of a wasting asset, profits are nowhere need to high as ECE suggests. And they are mind Europeans that from one-half to three-quarters of their retail gas prices are government taxes.

ECE's report will doubtless blow over after a time. But it will be used as a stick to beat the oil companies, by some Westerners as well as the inevitable Communist propagandist. The report might strengthen the hand of those Americans who want to have the cartel label on the companies. And if, as ECE seems to recommend, West Europe's consuming nations get to gether to exert pressure on the oil companies, the tendency already apparent among Middle East producing countries to make common cause will be reinforced. And the oil companies will be in the middle.

The Trans Canada natural gas pipeline project took a jolting setback lat week.

Negotiations with the government for federal financial help broke down (BW-Feb.5'55,p75). Ottawa wants an all-Canada route, instead of a less costly (and more realistic, according to pipeline people) one through part of the U.S. And the type of financial assistance Ottawa offered seemed to Canadian gas producers to threaten eventual government control of the line.

Now Trans Canada Pipe Lines Ltd. must hunt for private money, elusive so far in the quantity needed. And it has abandoned hopes of getting the 2,200-mile, \$350-million gas link under way this year.

Another year's delay means that the Toronto area will continue to be a customer for U.S. gas that much longer. Also, it will jeopardize Trans Canada's plan, now before the U.S. government, to sell Western Canadian gas for use in the Minneapolis-St. Paul area.

For years, geologists have suspected that important oil potential lay hidden in the Amazon Basin, in the eastern reaches of Peru as well as in Brazil. Last week, Brazil's government oil monopoly, Petroleo Brasileiro, am-

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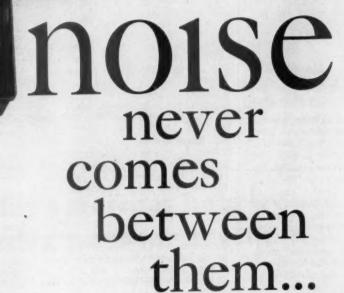
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COST CUTTING

Is Valve Automation Too Costly?

Automatic operation of valves is essential to the efficient automation of manufacturing and process plants. But most ordinary valves are expensive to automate because they require complicated, powerful units to raise and lower the sealing seats. What plant engineers looked for in the ideal valve for automation was easy, positive, trouble-free operation through the simplest possible power device. They found what they wanted in the Rockwell-Nordstrom lubricated plug valve, which had been used for 40 years in the petroleum and gas industries for tough flow control services.



Automated Rockwell-Nordstrom lubricated plug valves on fuel lines in power plant.

In such industries as paint, plastics and cement, for example, both management and engineering have been enthusiastic about their success with automatic valve systems using the Rockwell-Nordstrom valve. Their reasons: First, it's leakproof-shuts off positively, the prime requisite of any valve.... Second, because it's a rotary plug type valve, it opens and closes in a quarter turn; requires a simpler (hence less costly) operating mechanism because of the shorter distance of travel.... Third, the lubricant that forms the leakproof seal also makes the quarter turn operation smooth and easy; requires less bulky (again less expensive) power equipment.
... Fourth, lubricant protection

makes the parts last much longer, eliminates costly repairs and replacements. Result: less interference with the intricate automated systems.

The qualities that make the Rockwell-Nordstrom valve best for automation also pay dividends on nonautomatic valve installations on fuel, compressed air, degreasing and products lines.

For additional information write: Rockwell Manufacturing Company, Dept. 1-C, Pittsburgh 8, Pa.

nounced a discovery well on an Amazon tributary 1,000 miles from the Atlantic.

The immediate economic significance of the find isn't great, when you figure (1) the vast distances to possible markets, (2) the difficulty of large operations in the rainforest, and (3) the obvious chance of a one well flash-in-thepan. But it is Brazil's first strike outside the small Bahia fields-and it gives a psychological lift to the nation's oil search. Crude oil and products, costing some \$250-million yearly, are the largest item in Brazil's import bill. Most observers believe that without domestic oil, in large quantities, Brazil can never set its financial house in order.

It's possible to ease the import burden by refining more products in Brazil; Petroleo Brasileiro has three new refineries on stream capable of handling half the nation's needs. But that is no real cure. Petrobras is now struggling with the task of finding and developing home reserves. And it is hampered, in the opinion of many, by the law that forbids any oil concessions to foreign operators, who would like to take a crack at Brazilian oil.

Mexican sulfur is moving into the world market for the first time. Later this month, 7,000 tons of Frasch process sulfur will be shipped to British buyers from the domes of Tehuantepec peninsula, in southern Mexico.

Mexican Gulf Sulphur Co. and Pan American Sulphur Co., both U.S. fi-nanced, and controlled by the same holding company, are making the ship-Last March, Mexican Gulf claimed the distinction of producing the first Frasch sulfur outside the U.S.

Europe's frantic scramble for copper continues. On Tuesday, spot copper on London's soaring market opened at £367 a ton (equal to 46¢ a lb.), an all-time high. In the past week, spot metals has risen £23 a ton.

Here in the U.S., the 33¢-a-lb. price is under heavy pressure to move up a peg or two, something the producers hate to do because it hurts copper's competitive position. Americans complain that the London metal exchange is caught up in a speculative fever, and that the price there doesn't reflect the true state of the market.

Europeans explain that the price surge is due to their continuing industrial boom, U.S. curbs on copper exports, and the fact that Northern Rhodesia metal isn't fully back on the market. All that-plus the unknown factor of copper shipments behind the Iron Curtain (BW-Mar. 5'55, p113).

Looking Abroad

Each week brings news of U.S. companies expanding the scope of their business overseas-new sales, new part nerships, new plants.

Here is a week's budget of corporate

doings abroad:

Owens-Illinois Glass Co., Toledo, har bought a 148-acre site for its first for eign plant, 20 miles southeast of Ha vana. It's to be a smallish two-furnace affair (annual payroll: \$600,000) to supply glass to O-I's Cuban market. J. P. Levis, company chairman, likes the looks of Cuba and the potential growth of glass packaging there.

They're making deals in Australia. Admiral Corp., Chicago, is teaming up with General Industries Ltd. to make radio and TV sets. A joint subsidiary, Admiral of Australia, will build a plant outside Sydney. Caterpillar Tractor Co. has a new wholly owned subsidiary that plans a plant near Melbourne. Caterpillar of Australia will make some parts and machines, import others, and supervise the manufacture, under license, of some Caterpillar earthmoving equipment. Australia is a big Caterpillar market, but doesn't have the dollars to meet demand (page 140). Clearing Machine Corp., Chicago (a division of U.S. Industries, Inc.), has granted manufacturing rights to Vickers Ruwolt Pty. Ltd. in another deal designed to spare Australia's dollar exchange. Sinclair & Valentine Co., New York printing ink people, have a new technical interchange agreement with an Australian firm; so does General Shoe Corp., of Nashville.

Five manufacturers have been granted lines of credit from the Export-Import Bank. The total comes to \$21.4-million. International General Electric Co. is down for \$10-million; Bethlehem Steel Export Corp. gets \$6.5-million; Mesta Machine Co. has obtained \$3million: Blaw-Knox Co., \$1.8-million; and U.S. Pumps, Inc., Los Angeles, gets \$75,000. They are all part of Ex-Im's new policy of granting almost automatic lines of medium-term export credit to selected manufacturers of capital equipment (BW-Oct.9'54, p160). Credits to date under the Ex-Im system total \$63-million.

A "design-aid" team from Diamond Alkali Co. is helping a group of Dutch companies (some government funds are involved, too) build the Netherland's first soda ash plant. The 51-million-guilder (about \$13.5-million) plant will turn out 480 tons of soda ash daily, is slated for production by summer of 1957.



How Staley's starches help weave a strong sales yarn for textile mills!

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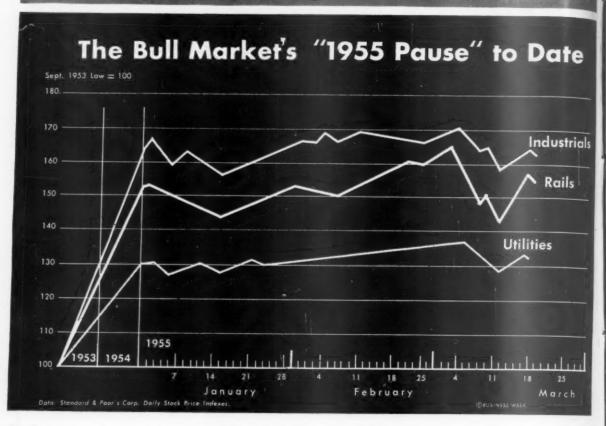
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THE MARKETS



Movement But No Progress

Charts like the one above have started many investors and traders to wondering whether the bull market has run down or is just resting while it renews its strength.

Wall Street's answers are as varied as its opinions on any other subject. But there's no doubt that a recent combination of events, notably the Fulbright hearings (page 154), have caused many active market participants to pause. And one Streeter says, "A pause in a market like this could well kill it."

The market looked as strong as a bull for a time last week, recovering well from the steep decline that started three weeks ago (BW-Mar.19'55,p166). The middle of this week also saw it strong. But mainly it has pussyfooted along on increasingly slim volume (Tuesday was the Big Board's slowest trading day in five months), with the averages inching up one day, down the next.

And Time to Think—Of course, this
might be just the sort of pause needed
to refresh traders exhausted by the recent wild price swings. But the pause
also lets them revalue their positions.

The Fulbright hearings have given them something to think about. They have felt the effect of demands for 100% margin trading, and of the concern and uncertainty expressed by such figures as Sears, Roebuck's Gen. Robert E. Wood and Chase National's John J. McCloy over current prices. More than one investor has been made wary by all the talk of "don't rock the boat by even talking about the possibility of trouble.' Smart Streeters who normally deplore comparisons between this market and that of 1929 nevertheless are reminded by such talk of the New York Stock Exchange's 1929 threat to dismiss employees who circulated "objectionable gossip" at a time when the market had already dropped nearly 45% from its high (BW-Nov.20'29,p20). This time, they want to recognize right away whatever weaknesses the market may have rather than wait until it loses a big chunk of its gains.

• Note of Caution—A particularly cautious pronouncement came out this week in Moody's Stock Survey, which said: "Because the decline was thus

comparatively painless, it may not have more than put a dent in the overconfidence of a few weeks back. It is therefore not out of the question that a revival to new highs may be seen. If so, we would maintain an attitude of care and caution, since the forward view contains elements of instability. It is not for continuous rise." In concluding, the survey pokes a finger at a considerable portion of the market when it says, "The only investors who need to feel concerned are those who have gotten to depend on a continuous stream of profits from a continuously rising stock market.

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Another market counseling service, Standard & Poor's Outlook, is less wary than Moody's. It calls the "technical correction" of the last few weeks a "blessing in disguise." And it points out that, "Sooner or later the market might have sustained a far more severe readjustment had there not been a bit of housecleaning at this time." Still it sees the market "in a phase where it is likely to find the going rougher on the upside." And it says "emphasis should be

on selectivity during the period of irregularity that is still believed to lie shead."

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• Upsurge—Just the same, both surveys, and Streeters generally, find real elements of strength in the continuing business revival, now engendering talk of higher dividends if it keeps its present

• The Federal Reserve Board index of industrial production stood this week near its record high of 137 set in 1953.

Home building continued its blisteing pace without a sign of letup, although many lenders and economists continue to caution Washington on the apidly growing load of mortgage credit, most of it now coming from government-insured mortgages.

• Spending for capital expansion will be 1% better than last year, or around \$27-billion, according to the Securities & Exchange Commission and the Commerce Dept. (BW—Mar.19'55,

• Steel and automobiles continue to steam along, hand-in-hand, and investors are again casting more favorable glances toward the steels.

• Outsiders—Other sectors of the market have been less fortunate. Sen. Fulbright's demand for Defense Dept. information on contracts (BW—Mar.12'55,p168) may have scared investors away from the aircrafts for longer than many at first supposed. Fulbright's move, plus Pres. Eisenhower's request for revival of the Renegotiation Act (BW—Mar.12'55,p32), has caused many investors to start moving out of the aircrafts, many of which show spectacular profits.

If the aircrafts are left out in the cold by portfolio juggling, they may not be alone. Since the first of the year, the market has gone nowhere, measured by Standard & Poor's daily index of 50 industrials. This is the longest period of aimless wandering since September, 1953, when the current phase of the 1949-55 bull market got started. With the averages getting nowhere, and volume at its lowest level in five months, many Streeters believe that the institutional buyers are becoming more selective and in some cases are sitting tight-until a definite pattern emerges, either up or down.

One thing that makes Streeters breathe a little easier is the belief that the worst is over in the Fulbright hearings (page 154). They feel that, even if Prof. John K. Galbraith is called to testify again, the hearings from here on in will be dominated by political squabbling between Sen. Homer Capehart and Fulbright. Scant attention will be paid to the market, they think.

Wall St. Talks . . .

... about Warren stock's steeplechase . . . the odds on Avery . . . damp uranium stocks . . . the market is thin.

From \$39 up to \$62.75, down to \$51.50, up to \$57, down to \$51.75, up to \$54. That's the sensational steeple-chase course traced of late on the Big Board by Warren Foundry & Pipe Corp. stock, which had no dividend since 1943. The spur: repeated rumors, still undenied, that Warren has a big deal pending with U. S. Steel.

Sewell Avery should be able to stave off Louis Wolfson's drive to take over Montgomery Ward—at least for this year. That's the considered opinion of many smart Wall Streeters. It's not because they see any sudden burst of love for Avery; the factor they see is "fears" about Wolfson. These Streeters figure most Ward stockholders are pretty conservative, that Wolfson's meteoric rise in good times has left them skeptical of his basic business qualities and philosophy.

When you're dabbling in uranium stocks, "don't squeeze the certificates too hard, you may get drenched." That's the advice of Arthur Wiesenberger & Co., which says most such stocks "have been thoroughly watered by promoters and underwriters." As examples, Wiesenberger cites: (1) Investors have ponied up 99.5% of one company's capital, yet own only 31% of its issued stock; (2) in another, investors have contributed 94% of capital, own 26% of the shares.

Market letter gleanings: "Past experience points to a renewed downward movement . . . after this technical rally ebbs." (Harris, Upham & Co.) . . "Optimists now must demonstrate that they can regain control of the situation." (Sutro & Co.)

That stock market break on Monday of last week demonstrated how thin markets have become, reports Hemphill, Noyes & Co. On that day Atchison skidded \$4.50 on trades of 900 shares, Bendix Aviation \$5 on 3,600 shares, du Pont \$6.75 on 5,700 shares, Honolulu Oil \$3.75 on 300 shares, Johns-Manville \$3.75 on 1,100 shares, Minneapolis-Honeywell \$4.25 on 1,100 shares, U.S. Gypsum \$6 on 800 shares.



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Fulbright Pauses for Breath

But the investigators of Wall Street's activities aren't sure they'll need their second wind. The hearings have turned into a bitter political feud, and may not be reopened.

Hip-deep in politics, the Fulbright Committee's study of the stock market this week reached the end of its first, and maybe last, phase.

Chmn. J. William Fulbright and some Democrats on his Senate Banking & Currency Committee manifestly doubt that the big bull market of 1954-55 is totally healthy. But none of them holds, at this juncture, any idea that major new restrictive legislation is either likely or desirable.

Even when they were critical, the Democrats have been cautious, probing only gingerly at the question of what has made the market go up and what there is that might keep it up. After 15 days of testimony by 23 blue-ribbon witnesses, the hearings in one sense ended as they began—with friendly reassurances for the market itself.

But the inquiry no longer rated the "friendly study" label that Fulbright optimistically hung on it at the outset. It degenerated into bitter political feuding, mainly between Democrat Fulbright and Homer Capehart of Indiana, senior Republican member of the committee—who charged at one point that the whole purpose of the hearings had been to wreck the market and embarrass the Republicans.

I. Who Won?

The stock exchanges, particularly, and the securities industry, generally, came off well. In management and ethics, their operations were depicted as being at least honest and responsible, if not perfect.

Significantly, neither Chmn. William McChesney Martin of the Federal Reserve Board nor Chmn. Ralph H. Demmler of the Securities & Exchange Commission could think of a single recommendation for new legislation to help them better police the market.

Fulbright's witnesses, regardless of economic or political inclinations, unanimously endorsed the stock market as an essential factor in the national economy, elemental to the formation of new corporate capital.

Principal Democratic criticisms were implied, and developed through questions on whether current market levels are safe and whether there may be too much credit behind the spectacular price rises of the past 18 months.

• Reassuring—On balance, the current bull market appeared not to suffer in critical estimates. Robert E. Wood of Sears, Roebuck was afraid of the high level of present prices. But to offer this, Harlow H. Curtice, president of General Motors, and Benjamin F. Fai. less, chairman of U.S. Steel Cop, were reassuring.

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 "I don't operate in the market, and I do not speculate in the market. I am just bullish on the future of the U.S.," said Curtice.

"I think our economic outlook is very bright. I think we are on the threshold of one of the greatest periods of prosperity this nation has evi-

known," said Fairless.
One witness, Prof. John Kenneth
Galbraith of Harvard, in the early days
of the hearing injected a gloomy note
by citing what he called alarming similarities between conditions now and the
1927-28 buildup to the disastrous crash
of 1929. As it turned out, Galbraith
became the pivotal character in the
political brawling that was to develop.

II. Politics Aplenty

This week, Capehart demanded the recall of Galbraith, a long-time student of the 1929 crash and author of a book to be published soon, on the subject. The senator said he had learned now that Galbraith was Adlai Stevenson's economic adviser in the 1952 campaign and an Eisenhower critic of established reputation.

"His known philosophy fits in with what I have felt was the purpose of these hearings: namely, to discredit the Eisenhower Administration and to cause people to lose faith in the economy," Capehart thundered. "Who suggested him, of all economists in the country, to testify?"

Moreover, Capehart said, he wanted to question Galbraith about a pamphlet titled Beyond the Marshall Plan, which the professor published in 1949 under the imprint of the National Planning Assn. Capehart was "shocked" to find in the pamphlet what he interpreted as some comments favorable to Communism.

Galbraith denied Capehart's inference, and asked for a chance to defend himself in further testimony.

• Battle Royal—Capehart infuriated Fulbright again by renewing his demand that columnist Walter Winchell, denounced for his activities as a market "tipster," be allowed to "come here and clear his name."

This week also brought a "gloom

154

and doom" attack on the inquiry by National Republican Chmn. Leonard Hall. As his targets, Hall singled out Sen. Paul H. Douglas of Illinois, a committee member, and Robert A. Wallace, former Douglas aide who is Fulbright's stock market staff chief.

Fulbright accused Republicans of trying to disrupt the study. "If the Administration is unwilling to learn, or to consider this sort of thing, "I don't know what we can do," said Fulbright.

III. Where Now?

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Fulbright's announced plan, at the outset, was to pause at this point, "digest" the voluminous testimony, and then proceed to further hearings, if necessary, to illuminate specific aspects of the market. The political blowup made the future uncertain.

There is pressure within the committee to let Winchell appear, and to hear further from Galbraith. Both of these could be disposed of soon. There is also pressure to study the intricacies of stock proxies, through a case history examination of the present battle between Sewell Avery and Louis Wolfson for control of Montgomery Ward. Fulbright is determined not to let the committee get into the Ward case, however, until after the Avery-Wolfson proxy battle is settled.

• Uncertain—Whether the committee ever returns to the extension of its overall stock market inquiry is a subject for guessing. In any event, the inquiry will be a lively political subject for a long

W. What They Said

Fulbright put the two big industrialists, Curtice and Fairless, through a sens of similar questions on competitive influences in their respective fields. Curtice maintained that the automobile industry has always been, and is now, "the most competitive industry." He would not give a yes-or-no answer when Fulbright asked if GM wants 60% of the auto market (it had 50.7% last year). Fulbright asked why GM didn't play with \$192-million—its net gain from excess profits tax repeal—to cut prices and expand its markets at the expense of other companies.

Curtice said GM, in effect, did cut prices by giving the customers more value for the same prices they paid in 1953. "Don't you worry about us becoming a monopoly," he told Fulbright, "... We have to keep running very fast to stay where we are."

Fairless said, "I don't think—I know" that there is real competition in the steel industry. Tremendous cost of plant development in this era, he conceded, has made price competition a less vital



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McGRAW-HILL PUBLISHING COMPANY Room 2710 330 West 42nd Street, New York 36 influence than in the past. But it is still figure, Fairless said, and "we compete by quality and service."

• Fresh Look—J. A. Livingston, fincial editor of the Philadelphia Bullet and Ferdinand Eberstadt, partner F. Eberstadt & Co., New York invement bankers, proposed a fresh look credit problems.

Livingston suggested amortization bank loans for stock purchases on schules similar to those for loans on q

and refrigerators.

Eberstadt said it might be desiration the public interest" to raise man requirements on specific stock is a rather than in the market as a who This would allow authorities to pubrake on an isolated, unwholesome si ation without disturbing the whomarket.

• Tips—On tips, Chmn. Demmler's SEC is "no less concerned" than committee, but he could see no ansin legislation. That might dry up leg mate news sources on securities a make the "cure far worse than disease." Eberstadt put it this way: would not lay undue importance tips; I would not dignify them the much."

Sen. Capehart tried to argue the some tips might be good, based on far but Eberstadt said definitely not. "I cuse me, senator, but there ain't no su thing as a good tip. . . . Is there a guantee that other factors will not enthe market and depress that stock spite of the news that you have?"

To close the hearings, the commit called in elder statesman Bernard? Baruch, who gave the market a goverally clean bill of health. But praised Fulbright's hearings. "Voinformative," he said, and, "They made sellers more meticulous aboutheir offerings and made buyers stumore what they're about."

Baruch was not much concern about the stock market. ". . In t main, it is a mirror of the economy he said. "If our general economic a security policies are sound, the stomarket will adjust to them, and will not need to worry about a possil collapse. If we do not preserve on ational security and our nation credit, then nothing can have lastin value."

He played a new version of an o theme-forego any and all tax cu until (1) "We're absolutely sure we c get up and win a war" if aggressic comes, and (2) the budget is balance

On investing, Baruch counseled "I' never known an amateur to mal money speculating in the market." If foresaw great opportunities ahead for those who are willing to study and who can correctly interpret the meaning ("automation, electronics, and the stoof atomic energy."

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PERSONAL BUSINESS

BUSINESS WEEK MAR. 26, 1955



You've been hearing a lot about how the new tax law eases the double tax on dividends. But you may run into some confusing paper work when you try applying it to your own case. Here's a rundown of how it works:

The two important provisions in the law are (1) the dividend exclusion; and (2) dividend credit. Used together, they can make quite a cut in the tax you pay on your dividend income.

First figure your dividend exclusion. You do that by cutting your dividend income by \$50. If your wife has dividend income of her own, she's entitled to her own \$50 reduction. So if you file a joint return, and you both get dividends, your combined exclusion may total \$100.

But note this well: Your exclusion is limited to what you have received. For example: If you received only \$40 in dividends in 1954, your exclusion is then limited to \$40—you deduct only that much.

You can't take a dividend credit, of course, because the exclusion has offset all your dividend income. Credit is allowed only on the dividends you have left after the dividend exclusion.

Figuring your credit—if your dividends run over \$50—is a little more complicated. The reason is that credit is allowed only on dividends received after July 31, 1954. So if you got all your dividends before that date, you can't take a dividend credit (but you can deduct the exclusion).

The credit rate is 4%, figured this way: Say on June 1, 1954, you received a dividend payment of \$200. On Dec. 1, you received another dividend payment, this time for \$300.

On your return you report only \$450 in dividends as income (\$500 less the \$50 exclusion). But your credit is figured only on the amount you got after July 31—the \$300 that came Dec. 1. So after you figure your tax, you would reduce it by \$12 (4% of \$300).

There are a couple of ceiling limitations on the amount of credit you can take that you'll have to watch out for.

One is that the credit can't be more than 2% of your total taxable income. For example: Say your dividend income credit is \$800 and your taxable income is \$15,000. Your dividend credit can't be more than \$300—2% of \$15,000.

The second ceiling is that the credit cannot be more than the actual tax you have figured before taking the credit. Thus say your income tax before credit is \$500, but your dividend credit comes to \$600. Your credit is limited to \$500. And you can't get a refund on the \$100 that's left.

There are further complications on the first ceiling limitation—2% of total taxable income—for those in the upper brackets who have both net long-term capital gains and high ordinary income.

It's complex—and details are being debated by tax experts. If you run into a problem in this respect, be sure to consult your tax counselor on what to do.

An important final point: The only kind of dividend entitled to the exclusion or credit is one that comes from an organization taxed as a

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PERSONAL BUSINESS (Continued)

BUSINESS WEEK MAR. 26, 1955 corporation. That excludes life-insurance companies, exempt charitable corporations, exempt farmer cooperatives, corporations doing business in any U.S. possession, and mutual savings banks.

And only part of your mutual-fund dividends may fit the rules. Your mutual fund can tell you which ones.

Tornadoes occur in the U.S. any time of the year in any part of the country; they've been reported in every state.

However, they do occur more often during certain seasons and in certain parts of the country than in others. This month and next are the peak season for Southern States, for example; May and June are the high months for the Middle West. (Kansas has the largest tally of recorded tornadoes: 587 during a 34-year period. The national average is 153 tornadoes a year.)

The tornado is a devastating, frightening, and unpredictable weather phenomenon. Wind speed within a tornado has been estimated to be as high as 500 mph; when nearby, it sounds like the roar of hundreds of airplanes.

Yet if a tornado appears in your locality, chances of its hitting your home or office are slight. That's because tornadoes are commonly less than 200 ft. across, and peter out after a course of from 10 to 40 miles. (But some tornadoes have been a mile in diameter. They have traveled as far as 300 miles.)

There's no universal protection against tornadoes except caves or underground excavations. In open country, move at right angles to the tornado's path (it almost always moves from southwest to northeast at from 25 to 40 mph.). If there's no time, lie flat in the nearest depression.

In town, seek shelter inside, preferably a steel-reinforced building. Stay away from windows.

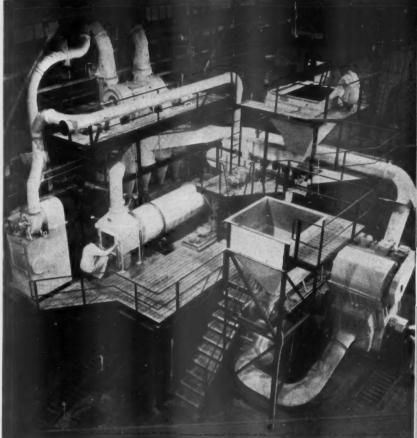
If the figures from last year are any guide, 1955 should be a good year to plan a long automobile trip. American Automobile Assn. reports that for the first time since World War II there was a drop in volume of long-distance motor travel during 1954.

One explanation: New resort areas, with accommodations for every taste, are opening up all over the U.S. People don't have to go so far to find what they want.

A new guide to personal insurance planning is published this week: Your Insurance and How to Profit By It, by Michael H. Levy (Harcourt, Brace; \$2.95). It's written for laymen.

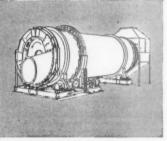
A four-passenger sports car, the "Firebomb," is scheduled for production soon. It combines Detroit-built components with Italian body craftsmanship, will be almost entirely assembled in Italy to save costs. It features step-down body design, has a 225-hp. V-8 engine, a 115-in. wheelbase, will sell for about \$5,000.

RCA Victor has just released a full-length recording of Gian Carlo-Menotti's opera, The Saint of Bleecker Street. The album was made by the original cast, including the chorus of 30.





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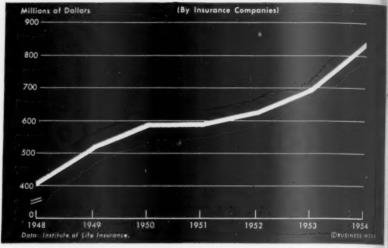




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CHARTS OF THE WEEK

Payments on Surrendered Policies



One of the Soft Spots

A soft spot in consumer spending is the rapid rise in the value of payments by insurance companies on surrendered policies.

Last year, insurance companies paid out 20% more on surrendered policies than in 1953 – the largest year-to-year gain since 1949. That year, the increase was almost 27% over 1948.

But while surrendered policy values are climbing, more new insurance is being written than in the past few years. Behind the surrendered policy soft spot lies the question: What will the consumer have to fall back on if he suffers a sudden loss of income but has already dipped into his insurance - one of his major forms of savings?

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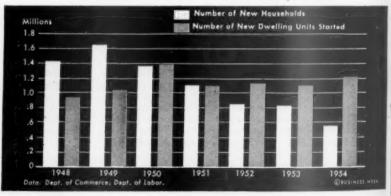
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Fewer New Households



But More New Houses

There's some alarm about the present family formation. Here's the backhigh rate of residential building because of the simultaneous declining rate of

ground.

After World War II, new households



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HUMAN BEHAVIOR IN INDUSTRY

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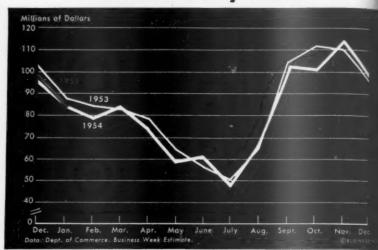
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were increasing and home construction ing has held its high level while how was running behind. By 1950, they were hold formation has declined. Last year in balance, but there was still unsatisfied demand from previous years.

But in the last four years, home build-

33% fewer households were former than in 1953, but 10.5% more resident tial dwellings were started.

Confectionery Sales



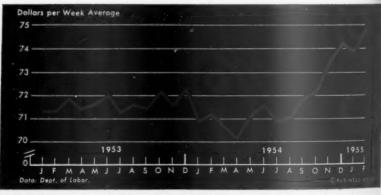
Hit By Waistline Worries

Confectioners have found little in the new year to brighten prospects. Last year, manufacturers' dollar sales were almost 2% below 1953, despite growth of the population. And now, 1955 has started off in much the same pattern.

This year, the value of January's ale was about equal to that of January 1954, but unit sales were down.

Most probable reason for the decline the national habit of counting caloue and watching the waistline.

Factory Earnings



Hitting a New Peak

Factory earnings set another record in February. They were 5.1% above the year-ago month and 3.6% above December, 1953. That's the way the trend has been since November, 1954. Before that, the peak month had been December, 1953, which had been followed by a decline that hit its low point in April, 1954. Ever since, there has been a steady improvement (except in the summer months) as business activity has picked up.

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ENEMIES' MORTARS LOCATED BY RADAR

Army Used Device Against Reds in Korea, N.Y. TIMES, DEC. 12, 1954

THE STORY BEHIND THE STORY:

"Hundreds of soldiers now returned safely from Korea literally owe their lives to the extreme accuracy and speed of the new counter-mortar system." This good news was revealed by the Signal Corps in December when the public first learned of the existence of the MPQ-10 Mortar Locator, one of the Army's best kept secrets.

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6, 1955

 How could a carefully concealed enemy mortar be located and destroyed after just one or two shells had been fired? And how could such devastating accuracy be repeated over and over again—no matter how often the enemy relocated his mortars? These were important questions in Korea.

■ Actually, the uncanny efficiency of the MPQ-10 Mortar Locator was due to the joint efforts of the Army Signal Corps and Sperry engineers. Working together, they developed a new portable radar system for use at the front lines. How does it work? An automatic radar tracker detects and "locks on" the path of enemy mortar shells. In effect, it traces each shell back through its trajectory and reveals the enemy position. This information is then relayed to an artillery fire direction center which directs a return barrage against the enemy mortar in a matter of minutes.

■ Delivering this Mortar Locator to the troops is another example of Sperry engineering and production solving a problem to meet a critical need. Today, in the air, at sea, as well as on land, Sperry is helping extend our nation's capabilities with instruments, controls and systems for all branches of the military as well as for important segments of industry.

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"... we're after new income sources to bal ance dependence on capital goods . . ."



". . . at the same time, expand current PILOT of Lukens Steel, Pres. Charles Lukens Huston, Jr., has plans to branch out. lines by research, aggressive marketing . . ."



"... if I can show that we, an independent, can prosper, I'll have done something."

Lukens Looks for Wider Fields

At Coatesville, Pa., this week, a 21ton slab of glowing steel slammed back and forth through the nation's biggest plate mill, the 206-in. monster operated by Lukens Steel Co. The plate, one of several, will be fabricated into a pressure vessel to contain the reactor for the country's first atom-powered generating station at Duquesne Light Co.'s Shippingport (Pa.) site.

Squeezing out to size such steel plate as that for the nuclear power plant is one of Lukens' specialties. The 206-in. mill, for example, is rivaled in size only by a defunct machine in Japan. The company's main sales pitch proclaims

that Lukens is a world leader in steel specialties.

• Happy-But-Yet even while the first plates for Shippingport are cooling out for shipment, Lukens' management is not complacent about the future of its highly specialized enterprise. Despite the happy augury in the choice of Lukens to produce the big plates for what is certainly the first of many atomic generating stations, Pres. Charles Lukens Huston, Jr. (pictures) is considering steps to widen the scope of the Lukens company's business far beyond anything in the firm's 144 years of steelmaking.

You have to look closely at both Lukens and the steel industry to see

· Where It Stands-Lukens is a semiintegrated steel operation. It buys pig iron and scrap to supplement its own scrap as charges for open hearth furnaces. Thus, the cost of ingot iron is higher for Lukens than for a fully integrated producer that mines or buys its iron ore and makes its pig more cheaply.

Lukens works the steel more hours and in more ways than most steel producers. It's because of the profit made possible by fabricating, alloying, spin-

and cladding that Lukens can mpete and, in fact, stay in business. Measuring-Comparing steel comanies by a common production figureor example, ingots produced-is at best coarse measurement of a company's osition among the widely diversified ompanies in the "steel" classification. I's like putting the sales figures of Mack trucks and Ford Thunderbirds ide by side and trying to decide just that which is the better vehicle. You have to know on what road thev'll tavel, how fast they intend to go, what hey are to be used for.

As shown in 1954 industry statistics, nkens' annual capacity for making ingots and steel for castings is around 50,000 net tons-strictly minor league in comparison with Bethlehem's 18.5-ces to be million, or even with smaller Armco's ds . . ." 4.9-million net tons. But in sheared plate-big slabs of steel usually over to n. thick and 48 in. wide-Lukens has the specialized capacity that gives it more specific industry stature. The mpany's annual capacity for sheared plate is 636,000 net tons, topped substantially by U.S. Steel's 3,271,400, arely by Bethlehem's 696,000 net tons, and by no others.

• Specialties—At best, these capacity comparisons only begin to define the magnitude of the problem the Lukens management faces. To get at its heart, ou have to study the company's prod-

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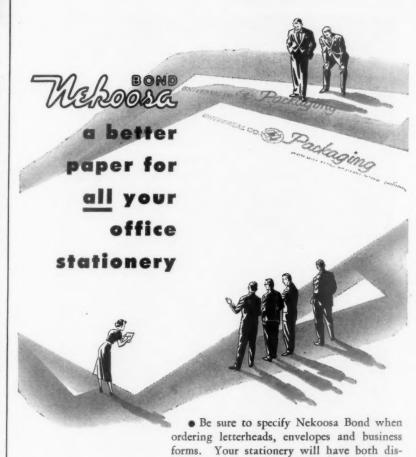
fully

Lukens is a specialist. Its sales are 69% in specialty products, only 31% commodity steel plate. Threequarters of its dollars come from capial goods producers, and it serves three major markets: (1) electrical equipment, (2) machinery and process equipment, and (3) construction and contractors

• Tied Up-That's the hooker. While t has capitalized well on the demand for special steels by three strong growth industries, Lukens by the same stroke has tied itself to somebody else's sales effectiveness in the notoriously wide winging capital goods cycle.

Look at last year-for much of the 12 months a recession time for capital equipment buying. Lukens' sales fell from a 1953 high of \$98-million down to \$75-million in 1954. More indicative is the fall in earnings per share from \$11.35 to \$6.33. Pres. Huston proport on 1954 operations. The drop n sales and profit, he said, was due to price adjustments among the company's steel specialties and a progressive change in our customers' product selec-

· Warning-Lukens had to step fast ast year-and it did. Despite some soulrearching requoting, and the sales drop



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in higher profit lines, Lukens operated 18% higher in relation to capacity than the average rate of the steel industry. The company actually increased its share of the plate market. Even better, Huston points out, "our 1954 sales were made to about 10% more customers than the preceding year."

customers than the preceding year."

Despite 1954's fast-stepping sales work, the problem remains. It comes down to this: Lukens' eggs are in the capital goods basket—and Lukens can't exert to the fullest, a direct, positive influence on the sales of heavy original equipment. Last year's 20%-plus sales dive is a clear tipoff on that, an even clearer warning of the effect that a serious softening of the capital goods market might have if protracted.

• Independent Jitters—The recent automobile mergers cast a long shadow on Coatesville, too. Like Hudson and Nash, Lukens is an "independent" of medium dollar volume. The competitive edge that sheer size gives to the top steel companies may have the same effect on the middle-range steel producers that General Motors and Ford have had on their lesser competitors. Lukens must ask itself: Would a couple of really bad years exhaust us?

It has been noted (BW-Jul.3'54, p59) that in steel, when times get tough, things are grimmest for the smaller units. A big company usually is better equipped dollar-wise and credit-wise to carry overhead, and even to get new facilities in place and pay for them right through a recession.

• Seeking the Answer—To all of these problems, Lukens has addressed itself manfully. The company is in good financial shape. There is no preferred stock. Although long-term debt was increased to \$6.4-million by a \$2-million borrowing last year, working capital is up to \$14-million. Last year Lukens raised its dividend 50¢ to \$3.50.

• More of the Same—The most obvious answer is in expanding existing lines. The electrical, construction, and process and machinery markets now getting most of Lukens' products are known as growth industries. Lukens has shifted its product mix to get its share of the long-term growth. Broad lines, new steel specialty products, service and flexibility—all big Lukens sales guns—will insure a bigger slice of business along present lines, the company thinks.

Since World War II, Lukens has plowed back some \$32-million into new and improved plant and equipment. Just last year, the company pulled together all its maintenance facilities. That will contribute heavily to the \$1.3-million cost reduction budgeted for 1955. Also finished last year were \$8.5-million worth of new facilities for processing alloy and clad materials.

When a new \$10.5-million armor-

plate heat-treating facility for the Navis finished this year, the government will have spread about Lukens' 625 acres some \$32-million in plate-making capacity. Lukens is laying away a nest egg to buy part of it in 1960. The company maintains and operates the government plant now, paying rent but uses the equipment in other wan when Navy orders aren't going through Lukens steel will be on three new supercarriers and the first two atom subs.

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• Looking Afield—All of these expectations are based on the prospect of increasing capital equipment activity—Lukens' present market. The main problem still remains: What will Lukens do to fill up the valleys if this market slumps repeatedly as it did last year?

To find out how to spread its business over into these low spots, Lukens undertook five years ago a study of other markets that could be served by the company's facilities without adding too heavily to investment. The main idea was to find steel products that could be sold to end-users, rather than to original equipment manufacturers. Beginning this year, the company set aside new funds and broadened the diversification study. What Lukens is looking for is an additional sales outlet, this time for products that may or may not be billed to end-users but that aren't made of heavy steel.

To find these new markets, Lukens has set up a high-powered research team. Already it has lined up some 160-odd markets with possibilities (but Lukens isn't saying what looks good to it until the lid is on the deal). "We're considering market needs, return on investment, capital appreciation, growth potential—everything. We plan a 10-year program on this," says Pres. Huston.

"We are going after new sources of income that will balance out our dependence on capital goods and our customers' salesmen. When we find them, we'll buy an idea, develop one ourself, acquire a company—do anything reasonable to get in. And, at the same time, we'll expand our current lines through research new facilities, and aggressive marketing."

• Training—Charles Lukens Huston, Jr., though a descendant of the founder, is no hothouse scion nurtured in the family mill. When he left Princeton in 1928, he went to work for Armoo Steel Corp. as a metallurgist. There he sweated out the Depression. During the 1930s, when work was short, Huston bounced from job to job at Armoo. As a result, he got a close-up look at all phases of steelmaking.

Soon, he gravitated toward personnel and industrial relations. There Huston found himself. "I realized that my feeling all along had been for people, not things," he remarks. He worked into enecutive personnel relations, a job that led straight to the study of management as a profession. By 1939, Lukens upped the ante enough to get him, and he came home.

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• Policy—First he set up the company's industrial relations program, later headed an operating division. After broad planning assignments as assistant to Lukens' president, he emerged as president himself in 1949. Huston's management theories were already worked into the executive structure that Lukens has today.

Top management's job, according to Huston, is one of balancing the pressure of aggressive, "uncomfortable" idea men against the sophistication of older, more experienced people. For example, the top policy brass at Lukens is gathered into the Management Committee. Below that, the Management Council's young Turks, with lesser policy scope, have responsibility to push ideas and projects upwards. Between the two Huston sits watchfully. As

Lukens' chief executive officer, he has veto power, can pick and choose ideas.

• Prescription—This type of management may produce friction and at times things may run rough, but it's aggressive and it moves, Huston claims. He figures it is just what's needed for the change that is coming in Lukens. The top level staff and operating people are comparatively young, averaging around 54. They'll be able to see Lukens through to its new look.

The company is attracting good men to it, a good sign. The crew that's heading the new market study is led by an ex-Armco man, highly regarded by his former colleagues.

Huston firmly quashes rumors that Lukens is merger-bound. On the contrary, he hopes to prove by his plans that there is a place for the mediumsized steel company if it is willing to carve out the spot for itself.

"If I can show that Lukens, as an independent, can exist and prosper, then I'll feel that I've accomplished something," he concludes.

Foremen by Popular Acclaim

A Wisconsin chemical company finds that it pays to consider the rank-and-file opinion of who is best fitted to move up into foreman jobs. It's working fine, so far.

A foreman is a man in the middle (BW-Nov.15'53,p112). He lives with management behind him, employees in front of him, and fellow foremen and lead men on either side.

It's not easy to pick precisely the right man for this many-faceted role, but Ansul Chemical Co., Marinette, Wis., thinks it has found a sure way. Ansul got the advice of professional sociologists and is now starting to pick its foremen according to the ideas of all three groups that surround the foreman's job: management, fellow supervisors, and rank-and-file workers.

• Job and the Man—Management looks upon the foreman's job as a key spot. It provides management's closest contact with the worker, has a vital influence on productivity (BW—Feb.10 '51,p68), and is also management's first chance to look at some possible executive talent in action.

Yet management is hampered in trying to bring the natural leader out of the ruck. Selection of such a man runs into union restrictions, uncertainties about exactly what a foreman should do anyway, and even reluctance of a candidate to accept responsibility. Management may have to stab two or three times to fill a foreman job satisfactorily.

There must be some better way to do it, Pres. Robert C. Hood of Ansul

Chemical decided. He found that the University of Michigan's Survey Research Center had made some studies in industrial sociology that confirmed wartime findings of the Navy concerning teamwork among air crews. The idea is to give the people who have to deal with the crew leader—from above or below the same level—a part in selecting him.

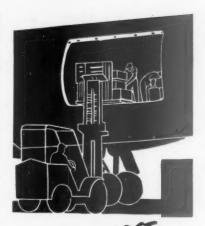
• Going to Work—Hood engaged sociologists, including Dr. Floyd Mann of the Michigan center, to apply the theory to the problem of foremen. This is what happened:

 The employees were told what the company was trying to do.

• In small groups, the hourly paid workers were asked to help by giving their ideas on what a foreman should be like, what he should do. The same question was put to supervisors and to higher management.

 The answers were organized into job descriptions. (They proved to be surprisingly uniform and also very close to management's own ideas.)

• A week later, employees were shown the composite of the job descriptions, based on answers from all three groups. They were given a list of the 220 hourly workers, arranged in no particular order, and asked to check the names of the five men from their own work groups who came closest to



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CONTAINERS AND PRESSURE VESSELS FOR GASES, LIQUIDS AND SOLIDS

the job description. Management supervisory people also made nomine tions.

· A Surprise-This time, the result were surprising. In the tabulation of ballots from the three groups, only 10% of the hourly workers got a significant number of mentions. In one swipe 90% of the work force had been elim nated from candidacy by popular con-

The ballots also uncovered some hid den supervisory talent. Several ployees who were frequently named by their fellow workers were consistently overlooked by supervisors and by man agement. It turned out that they wen doing competent, but not remarkable production work, yet showed outstand ing leadership qualities, in the jude ment of their co-workers.

Like some other companies, Ansal had seen many a highpowered production worker fail miserably as a foreman. The company was impressed by the endence that the best leadership material might come from men who didn't always turn out the biggest day's work. • Tryout-Ansul applied its findings to a pilot run in which a new foreman and

five lead men were picked from the top of the composite list of nominees. Last week, the system was extended to the selection of a chief inspector on the foreman level.

Hood is quick to point out that management isn't abrogating its authority in the final selection of foremen. Candidates must still fill all requirements as to age, experience, intelligence, and other specified qualities. Then the new element is added: the attitude and opinion of the people who will be bossed. "No test of a foreman candidate could tell us what those people think about him," Hood says.

He is pleased with the results so far. "Many positive factors have developed from our use of this method," he says, "and we intend to explore the possible application of what we have learned to other areas of the company, such as up

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middle management."

• For Example-This year, for the first time, foremen-as well as executives, division heads, and department managers-were given a part in explaining the company's policies and progress at the employees annual meeting. It was a mark of the new confidence that Ansul feels it is developing among employees and foremen since the new selection system began.

Meanwhile, in a new plant with new processes, the "elected" foremen and lead men are performing with a minimum of grievances, production flaws,

and rejected work.

"They've really taken hold," says Hood. "In fact, one of the new men looks about ready to take over leadership of the supervisory group."

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Steam laundry equipment, about 1875

Modern materials, too, are speeding production

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MANAGEMENT BRIEFS

Slick Airways, Inc., Burbank (Calif.) air freighter has added four to its management team with heavy collective experience in airlifting, aviation administration, investments and, perhaps most important, in trucking. New members of the board are: John R. Allison; Major Gen. Fred S. Borum, Ret. (Berlin airlift chief); and John S. Graham, former Assistant Treasury Secy. Gordon S. Bain, ex-official of the Budget Bureau, becomes Slick's executive vice-president.

After a year of operation, New England Colleges Fund, Inc., has netted \$107,685 in gifts from businesses. The receipts will be shared out to 22 privately endowed liberal arts and science schools in the New England area.

Fourteen top scientists, many of them atomic energy pioneers, have been hired by Convair Div. of General Dynamics Corp. to "consider special problems in the development of military aircraft and missile systems." They will also look at industrial applications of nuclear power. The group includes such big names as Edward Teller, Charles L. Critchfield, Fred L. Whipple, and Hans A. Bethe.

To get stockholder representation, Colonial Airlines' employees have set up Colonial Mutual Employees Fund to buy shares in their company. About half of Colonial's 800 employees have each bought one \$10 share in the Fund, which in turn is buying Colonial stock on the open market. Spokesmen deny that the idea is to help prevent a merger with Eastern Airlines.

About 120 new industries last year put down roots along the Seaboard Air Line RR's right-of-way from Virginia to Florida, according to a Seaboard study. Led by paper and pulp, the new products range from construction commodities to processed fruits. The report also noted sizable growth in temporary installations and established facilities.

Felix S. Hales, who began a career with the Nickel Plate railroad 39 years ago as a draftsman, this week was elected president. His predecessor, L. L. White, continues as board chairman.

Scratch one: Fred M. Saigh, ex-owner of the St. Louis Cardinals, is dropping his try for control of Montgomery Ward & Co. This narrows the Ward field to Sewell Avery, encumbent chair-man, and financier Louis Wolfson as the control race nears the annual meeting, Apr. 22.

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The Scapegoat King

The Fulbright investigation has been singularly unenlightening, but it has accomplished two things.

It has given the current bull market a thorough catharsis, which is always healthy, and, on a lesser level, it has revealed the unprofitability of following the stock market tips of Walter Winchell.

As Senate investigations go, one might perhaps argue that this is a creditable record of accomplishment. At the same time, it is regrettable that this inquiry, sponsored by one of the members of the Senate intelligentsia, followed so stereotyped a course.

It is said that generals always prepare to fight the last war rather than the next one. Perhaps it is too much to expect of statesmen and financiers to do more than prepare to fight the last depression instead of the next.

The thesis that underlies the Fulbright investigation and that has shaped much of its chairman's line of questioning is deeply imbedded in the folklore of our political economy: that the Great Depression owed its origin to a runaway stock speculation. Like all powerful myths, this one has the essential purpose not of preserving history, but of foretelling and warding off evil and temptation. Further—like the myth of the scapegoat king that runs in myriad forms through Sir James Frazer's book, The Golden Bough—this one may fulfill the purpose of devising an image against which one can discharge latent fears and insecurities, without the need of understanding or correcting the real sources of trouble.

How much validity had the myth, even as related to the Great Depression of the 1930s? The stock market crash of 1929 came in October, but economists agree that the turning point in business came several months earlier—the National Bureau of Economic Research says it came in June. The peak in the index of industrial production was reached in July, but many indicators headed downward earlier. Prices, for instance, had been declining since the fall of 1928.

Many Causes

Important among the causes of the Great Depression (though economists still disagree about how to weight all the factors) were these: abnormally high capital spending in 1928–29, coming on top of an investment boom that had been going on for several years; wide-spread excess capacity—which finally cut demand for more capital goods; too fast a rise, in 1928–29, in the output of durables; a clearly oversold automobile market; a sharp decline, after the beginning of 1928, in residential construction; widespread increase in buyers' markets, and a resulting weakening of business expectations; unwise lending policies of commercial banks; oversupply in world primary markets; a precarious international balance of payments situation; and, finally, the saturnalia of speculation on Wall Street and Main

Street. Only the last of these factors achieved immortality.

Our situation today is as complicated as that in the late 1920s—but much less ominous. The Economic Report of the President, which Democrats, Republicans, and professional economists have praised as a highly competent performance, foresees a continued advance in general economic activity, and concludes that it is reasonable to expect that within the coming year we can attain "maximum levels of employment, production, and purchasing power." Our situation, however, is not without its dangers.

A Mountain of Credit

This period of substantial and remarkable prosperity—this boom, if you will—rests upon the traditional foundation of credit expansion. The amount of credit that has been absorbed in the stock market—about \$3-billion—seems quite modest when compared with the \$30-billion of installment credit outstanding, or the \$115-billion of real estate credit outstanding.

What has been happening in the stock market has made front-page news, but could it be that the real news is what is happening in the home-building field, where a dangerous mountain of credit has been erected by the Veterans Administration and the Federal Housing Administration through policies of no, or very small, downpayment requirements, very long amortization periods, and lack of attention to the earning capacity of house buvers?

Or what of the phenomenal market for automobiles? New cars are being sold on the basis of 30 or more months to pay, even in some cases as much as 48 months. The amount of automobile paper outstanding is more than double what it was five years ago.

How long will all this go on? One possible answer is that it will go on as long as we go on puffing up the credit balloon—until, of course. . . . But that is too depressing a thought.

Nevertheless, a curious thing is happening. Even as the economy is wafted along on the wings of cheap and abundant credit and as the stock market rises—though its boom is less than in housing, autos, or, might we add, Congressional salaries—the chief concern of Fubright's party is that we are not inflating fast enough. Democratic braintrusters, led by Leon Keyserling, feel that we must pump the bellows with at least twice the energy the present Administration is showing.

In this situation, to elect Wall Street the Scape goat King and to heave rocks in its direction undoubtedly relieves considerable Senatorial tension. But it does little to help us understand or to do anything about the economic problems that confront us. The Case of

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5, 1955

Slowly the valve was turned. There was a sharp "wh-o-o-sh," as of escaping gas, followed in a few seconds by a short, sputtering hiss. Then — silence . . . the valve opening had frozen solid again!

This was happening to the release valves of emergency oxygen tanks intended for pilots, hospitals, etc. The trouble was caused by moisture in the oxygen which formed ice crystals that blocked valve openings when the oxygen was released. Manufacturers of portable generators that made oxygen for these tanks had long been faced with this problem.

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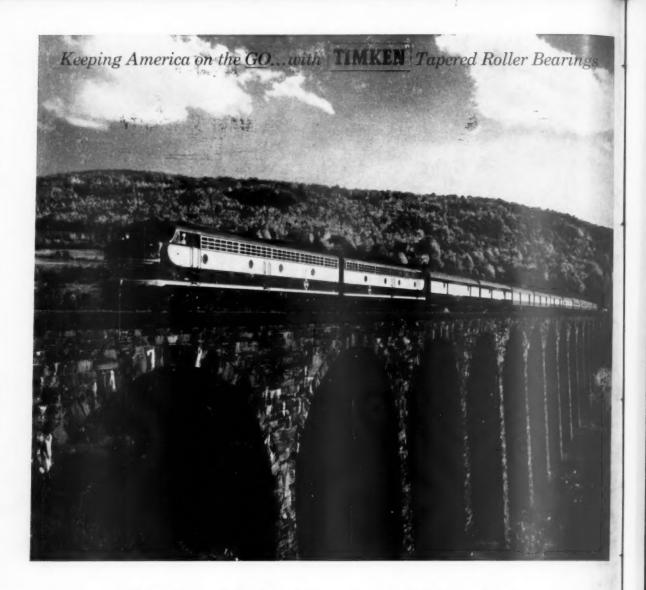
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